

JPRS-WER-84-058

14 May 1984

West Europe Report



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

14 May 1984

WEST EUROPE REPORT

CONTENTS

ARMS CONTROL

DENMARK/GREENLAND

- Sorsunnata Peace Group Cites Progress, Goals
(Atuaga; GRONLANDSPOSTEN, 28 Mar 84)..... 1

NETHERLANDS

- Lubbers: Cabinet in Danger Over Cruise Missiles
(ANP NEWS BULLETIN, 16 Apr 84)..... 3

POLITICAL

BELGIUM

- Walloon Socialists' Coeme on Regional Policy
(Guy Coeme Interview; POURQUOI PAS?, 4 Apr 84)..... 5

DENMARK

- Poll Shows Strong Drop in Support for Government
(BERLINGSKE TIDENDE, 24, 25 Apr 84)..... 7

Sudden Decline in Popularity, by Solveig Rodsgaard
End of Honeymoon Period, by Asger Schultz
Paper Views Poll Results, Editorial
Party Leaders Comment, Kirsten Lauritzen

DENMARK/GREENLAND

- Book Examines Generation Gap, Societal Change
(INFORMATION, 6 Apr 84)..... 12

FEDERAL REPUBLIC OF GERMANY

- Defense Policy Discussion Within SPD Widens, Intensifies
(SUEDEDEUTSCHE ZEITUNG, 19 Mar 84)..... 13

GREECE

- Analysis of Current PASOK In-Fighting
(Khristos Karanikas; I KATHIMERINI, 1-2 Apr 84)..... 15

- KKE's Farakos on Government's Status, PASOK Relations
(Grigoris Farakos Interview; ETHNOS, 8 Mar 84)..... 18

SWEDEN

- Briefs
Agency Recommends Laos Aid 27

TURKEY

- Ilicak Summarizes Ozal Post-Election Comments
(Editorial, Nazli Ilicak; TERCUMAN, 12 Apr 84)..... 28

MILITARY

EUROPEAN AFFAIRS

- Woerner Sees NATO Still Strong Despite Pressures, Threats
(Manfred Woerner; EUROPAEISCHE WEHRKUNDE, Mar 84)..... 30

- Ehmke Presses 'European Defense,' End to U.S. Dominance
(Horst Ehmke; EUROPAEISCHE WEHRKUNDE, Mar 84)..... 39

DENMARK

- Defense Minister Reveals Tougher Antisubmarine Measures
(SVENSKA DAGBLADET, 17 Apr 84)..... 50

FEDERAL REPUBLIC OF GERMANY

- Bundeswehr Faces Fiscal, Planning Problems by 1990s
(Wolfgang Hoffmann; DIE ZEIT, 30 Mar 84)..... 51

NETHERLANDS

- Eight New Multipurpose Frigates To Be Built
(ALLE HENS, Jan 84)..... 55

ECONOMIC

EUROPEAN AFFAIRS

Stabilization Success May Offer Hope for EC Coordination (WIRTSCHAFTSWOCHE, 24 Feb 84).....	60
European Currency Fund, Central Bank Seen as Possibilities (WIRTSCHAFTSWOCHE, 9 Mar 84).....	65
ECU Proves Success Despite Faltering EC Economic Policies (Rudolf Herlt; DIE ZEIT, 16 Mar 84).....	68

CYPRUS

Unemployment Statistics for Late 1983 (KHARAVGI, 3 Apr 84).....	72
French Firm Conducting Chrome Surveys (KHARAVGI, 6 Apr 84).....	73

GREECE

Arsenis Interviewed on National Economic Policy (Gerasimos Arsenis Interview; OIKONOMIKOS TAKHYDROMOS, Nos 1558-1559, 15, 22 Mar 84).....	75
---	----

SWEDEN

Briefs Majority Still Opposes Funds	104
--	-----

TURKEY

Impact Analysis of Decontrolled Import System (CUMHURIYET, 4 Jan 84).....	105
Shipping Magnate on Progress, Problems in Maritime Industry (DUNYA, 4 Jan 84).....	107
Facilities Urged for Foreign Capital Profit Transfer (DUNYA, 4 Jan 84).....	112

ENERGY

NETHERLANDS

Natural Gas Exports Up 2 Percent in 1983 (ANP NEWS BULLETIN, 16 Apr 84).....	114
---	-----

ENVIRONMENTAL QUALITY

SWEDEN

Environment Agency Head on Hydroelectric Dams, Pesticides (Henrik Ekman; SVENSKA DAGBLADET, 15 Apr 84).....	116
--	-----

SORSUNNATA PEACE GROUP CITES PROGRESS, GOALS

Godthaab GRONLANDSPOSTEN in Danish 28 Mar 84 p 35

[Article by Atuaga]

[Text] We were gratified to experience the great upswing in the security policy debate here in Greenland in 1983. Many radio and newspaper people concerned themselves with rearmament, the U.S. bases, and the placement of Greenland in the power play between East and West. It showed that the problems are recognized, and that many people now see the necessity of increasing the possibilities of disarmament and relaxation.

ICC [Inuit Circumpolar Conference] were the first to draw attention to the security policy and demand the establishment of a nuclear-free, demilitarized zone comprising the arctic Inuit regions, but since then others, including Arqaluk Lynge, member of the local parliament, have taken up these problems.

Many others, among them Pablo and Jens Brosted, have also contributed to the security and base debates in 1983. Within Sorsunnata, we, therefore, view this year as a turning-point, seeing that an extensive peace policy debate was begun within the Greenland society, which has never happened before in times of peace. We, moreover, noted that, at the end of the year, the United States altered its policy and decided to set up the two new radar stations in North Canada instead of in West Greenland.

However, of late, this debate seems to have calmed down. And we find this unfortunate. For the world policy situation with increasing armament and continued poor relations between the two superpowers more than ever before necessitate a strengthening of the peace forces among the peoples all over the world. Despite large-scale protests and extensive popular resistance, it was not possible to prevent the deployment of the 572 medium-range missiles and cruise missiles in Western Europe. For that reason, it is now necessary to develop an even larger and stronger, an even broader international movement for peace and disarmament. And, in this respect, Greenland plays an important role, partly because of its geographical location and partly as a result of the use of the American bases in the build-up of the American military forces, which has been accelerating during the last few years.

We now urge that the peace and security policy debate be continued in Greenland, and we ask for help in strengthening the cause of peace everywhere in Greenland.

Those interested may apply to Sorsunnata at the following address:

Sorsunnata, the Secretariat, Blok G 36,3951 Qasigiannnguit.

Members of Sorsunnata gathered in a meeting on 22 January 1984.

Signed Karno Reimer and Baltser Andersen.

7262

CSO: 361:/135

LUBBERS: CABINET IN DANGER OVER CRUISE MISSILES

The Hague ANP NEWS BULLETIN in English 16 Apr 84 pp 1-2

[Text] Amsterdam, 16 Apr--The cabinet is in serious danger of falling in the next few months over deployment of cruise nuclear missiles, Prime Minister Ruud Lubbers said in an interview published this weekend.

Emphasising that the centre-right government had little room to manoeuvre between supporters and opponents of cruise, he told the NRC HANDELSBLAD newspaper: 'I very seriously believe that this may end in a crisis.'

In a separate story, the paper also reported that Lubbers failed a week ago in a key attempt to overcome the strong misgivings of Defence Minister Job de Ruiter over deployment.

The Netherlands is the last of five NATO nations to decide whether to site U.S. medium-range missiles under a 1979 NATO plan. All four others, Britain, West Germany, Italy and Belgium, have agreed to accept them or are already deploying.

The Dutch are under heavy pressure from the western alliance to deploy, but the government faces strong public opposition and parliament is almost evenly divided on the issue.

Politicians have said for months that the cabinet faces a hard task in framing a compromise acceptable to parliament.

Little Leeway

Lubbers' statements in the NRC HANDELSBLAD were the first in which he has acknowledged the danger of the government falling.

He said the cabinet had very little leeway to reduce the Netherlands' more minor nuclear tasks in NATO, such as nuclear artillery, which politicians have suggested as a possible element in any compromise proposal.

He also dismissed suggestions from his own Christian Democrat Party (CDA) that the Netherlands should unilaterally site fewer than the 48 missiles sought by NATO.

'An isolated cut in the number by the Netherlands alone has no special merit', he said. 'The significance of the new nuclear weapons must be seen in the context of a coupling with the U.S. and with as broad a spreading as possible in West Europe'.

The CDA and Liberal coalition holds only 79 out of 150 seats in parliament and a number of CDA members oppose or are unsure about deployment. The cabinet mainly favours siting despite De Ruiter's strong misgivings, political sources say.

HANDELSBLAD said Lubbers last weekend proposed a conditional compromise on placing to De Ruiter and Foreign Minister Hans van den Broek, who is pressing for siting, but they rejected.

Risk of Unrest

The compromise involved a reduction in the Netherlands' minor nuclear tasks from six to three. The government would also only make the decision for siting a firm one in 1986, when the rockets are due to be installed, HANDELSBLAD said. This would give further time for Soviet concessions over its SS-205.

However, this went too far for De Ruiter and not far enough for Van den Broek, HANDELSBLAD said. Dutch minor nuclear tasks are anyway to be reduce to four, because of modernisation.

In the interview, Lubbers made no reference to this proposal but acknowledged that there were differences between the two ministers on deployment.

He appeared to leave open the possibility that the Netherlands might make siting of cruise dependent on lack of movement on arms reduction by the Soviet Union. The international positions on this approach were unclear, he said.

Discussing public opposition to cruise, Lubbers said that the risk of unrest should not play a determining role in the decision. In the Dutch democracy, cabinet and parliament had to take the decision, even if only by one vote, he said.

The Netherlands is committed to decide on siting by June.

CSO: 3600/31

WALLOON SOCIALISTS' COEME ON REGIONAL POLICY

Brussels POURQUOI PAS? in French 4 Apr 84 pp 21-22

[Interview with Guy Coeme, vice president of the Socialist Party, by Yves Francois; date and place not specified]

[Text] Guy Coeme, deputy from Huy-Waremme and vice president of the PS [Socialist Party], is chairman of the Permanent Committee of Walloon Socialist Federations. His views are clear, to say the least.

[Question] Does the "Walloon" character of the recent socialist congresses imply some kind of antagonism between Wallonia and Brussels?

[Answer] In no way does that imply some kind of "abandonment" of Brussels by the Walloon socialists. On the contrary, as I have said, we intend to reaffirm the solidarity which unites us to our French-speaking friends in Brussels.

Today we know that the determination of Flanders to annex territory no longer has any limits. Together, we must hold on in Brussels. If we don't, crazy proposals like those made by K Dielen, aimed at attaching certain communes of Liege Province to Flanders, threaten to win out.

For our part we continue to think that the organization of the state on the basis of three fully-defined regions remains the best solution to Belgian institutional problems. However, that does not prevent us in any way--quite to the contrary--from expressing our specific Walloon character within our own region, while seeking the right paths which lead to better control of our future.

[Question] To what point do you intend to defend this specific, Walloon character? In other words, how far do you intend to go in the direction of federalism?

[Answer] The history of Walloon socialism is sufficient proof that it is federalist in outlook. It is enough for me to recall some of the great Walloon federalist figures like Jules Destree, Georges Truffaut, Fernand Dehousse, Freddy Terwagne, or J J Merlot.

The PS, which was established in 1978 as a result of the split along communal lines of the PSB [Belgian Socialist Party], will continue with this line of thinking. In 1981 at Montignies-le-Tilleul, and then at the "Renover et Agir"

[Renew and Act] congress and at the recent congress at Wavre, we clearly defined the stakes involved: the regionalization of the five national sectors, of course, but also the regionalization of applied research, agriculture, infra-structures, foreign trade, energy policy, and credit.

That represents a considerable amount. For us, there is no question of going beyond that.

[Question] In that case, if you cling to the positions previously held by all of your party, what is the real value of your congress?

[Answer] When it held its "Renover et Agir" congress in 1982, the PS did not intend to develop a new, doctrinal charter defining fundamental choices. However, it occupied itself with deciding on a medium term program covering the economic and social areas.

The document entitled "Faire face a la crise" [Facing up to the crisis] which resulted from this effort, while not neglecting any of the proposals likely to create the conditions for a change in society, was above all a reference tool making it possible to develop a policy.

Our purpose now is set in the context of a similar effort. By limiting themselves to the Walloon area only, the socialists wish to deepen the conclusions reached at the "Renover et Agir" congress, by adapting them to the present realities of the economic and industrial situation in the southern part of the country. With realism, with seriousness, with particular attention paid to the concrete situation facing the various companies and their workers, we intend to set out the main lines of a new industrial policy, which itself will be conditioned by a substantial change in the present Belgian institutional framework.

[Question] Why this continuing theme of industrial policy?*

[Answer] All the economic indicators agree on this point: Wallonia is becoming impoverished. Our industrial activity reflects a continuing decline because our industry is too concentrated in the traditional sectors, turning out products for which the world demand is weakening.

Our industrial fabric is being destroyed for the benefit of a continuing internationalization of the economy, which is making Wallonia a region which is specialized in the transit of goods. I might mention our inadequate capacity for self-financing and in particular the collapse of this capacity in companies exposed to international competition. The inventory is certainly not complete, but I might end with the matter of the reduction of private investment. The holding companies have preferred to go into highly profitable economic sectors, such as banking, energy and insurance. They have declined to assume their responsibilities in industry. The priority industrial area is therefore clear.

*Will high level figures meet on this issue? The PCF [French Communist Party] debated this same theme last week and brought into the discussion non-communist personalities like Louis Gallois, director general of the Ministry of Industry, and Bruno Bertez, editor in chief of the weekly, LA VIE FRANCAISE.

5170
CSO: 3619/59

POLL SHOWS STRONG DROP IN SUPPORT FOR GOVERNMENT

Sudden Decline in Popularity

Copenhagen BERLINGSKE TIDENDE in Danish 24 Apr 84 p 1

[Article by Solveig Rødsgaard]

[Text] The poll shows that 34 percent as against previously 43 percent finds that the government is doing a good job. Nevertheless, this is still a record among the voters for a government--25 percent has thus been the highest figure for a Social Democratic government.

The popularity of the nonsocialist government among the voters has dropped sharply. The record-high positive evaluation among 43 percent of the voters in September of 1983 dropped in 6 months to 34 percent of the voters.

Twelve months ago, 38 percent of the voters found that the government had done a good job. However, in its hitherto existence, the nonsocialist government has consistently accounted for the largest support among the voters of any government during the last 15 years.

According to the Gallup poll, 34 percent finds that the government has done a good job. Forty percent finds that it has done a fairly good job, 21 percent finds that it has not done a good job, and 5 percent has no opinion on the matter. Six months ago the figures were 43, 39, 12 and 6 percent, respectively.

The Gallup poll was taken in March. As far as the popularity of the government is concerned, one of the most important things happening during that month was the fact that Minister of Finance Henning Christophersen confirmed that he was running for the post of chairman of the Commission of the European Economic Community and was thus on his way out of Danish politics. There was also talk about the vigor of the government. The stock exchange--especially bond prices--reflected a beginning skepticism with regard to the vigor of the government. Here, the Central Bank took the lead, as Governor of the Central Bank Erik Hoffmeyer, in very direct terms, drew the attention of the government to the need for a tightening of the fiscal policy. He stressed, in particular, the need to link indirect taxes to the cost of living index.

Nevertheless, the four-leaf clover government is still the nonsocialist government that has been the most popular one among the voters. Neither the Liberal, Conservative, Radical-Liberal government of 1968-71 nor the Hartling government of 1973-75 attained the same level of voter support that the present government enjoys. And the Social Democratic governments have, at the most, had the support of 25 percent of the voters.

End of Honeymoon Period

Copenhagen BERLINGSKE TIDENDE in Danish 24 Apr 84 p 7

[Article by Asger Schultz, director, graduate in political science, Gallup Institute]

[Text] One out of every four voters who previously found that the government was doing a good job has changed his mind. The number of voters who find that the government is not doing a good job has increased by nearly 100 percent.

The extremely favorable impression which the nonsocialist government has made on the voters now seems to have culminated. From the highest level of popularity ever measured by the Gallup Institute, the rating of the government has now dropped to a considerably lower level.

At intervals of 6 months, apart from when special events warrant it, the Gallup Institute undertakes current polls of the evaluations of the electorate of the government in power.

In such polls, a representative section of the voters, comprising approximately 1,000 respondents, is asked the following question:

"In your opinion, has the present government done a good job, a fairly good job or not a good job during its time in office?"

The first poll is usually taken approximately 3 months after the new government has taken office, and the first poll of the four-leaf clover government was thus carried through in early December of 1982. The most recent poll was taken in March of 1984. The following table shows the results of the most recent poll, and for the sake of comparison, previous polls back to the first poll of the nonsocialist government in April of 1968 following the January election of the same year have been included [figures till 1981 omitted in translation]:

The Government Has Managed:

	Well	Fairly Well	Not Well	No Opinion	Total
	%	%	%	%	%
October 1981	8	40	44	8	100
May 1982	7	43	43	7	100
December 1982	28	36	23	13	100
March 1983	38	39	15	8	100
September 1983.....	43	39	12	6	100
March 1984	34	40	21	5	100

As will appear from the above, one might almost say that the nonsocialist government at present is not very much stronger than it was in December 1982, when it was a fairly unknown quantity.

The number of voters who find that the government has done a "good" job, has dropped quite considerably, viz. from 43 percent to 34 percent. And the number of voters who find that the government has not done a good job has almost doubled, from 12 percent to 21 percent.

The differences are so large that it cannot be assumed that they are due to purely statistical variations. It, therefore, may be concluded that the nonsocialist government has now begun losing considerable foothold among the voters, whatever the reasons may be.

Paper Views Poll Results

Copenhagen BERLINGSKE TIDENDE in Danish 24 Apr 84 p 10

[Editorial: "Weakness and Strength"]

[Text] When is a government a strong government? It is a strong government when it is based on a fixed majority in the Folketing, and it is a strong government when it has good support among the voters. The Social Democratic governments have been weak. They have had no majority in parliament, and they have not enjoyed a strong position in the eyes of the population. That is why it had to end the way it did. Anker Jørgensen simply gave up, and the election in January confirmed the Social Democratic defeat. But is the present government strong? The answer is both a yes and a no, but mostly a yes.

The government is weak because the four parties which formed it do not enjoy a majority in the Folketing. Its hope that the election would give it such a majority was not fulfilled. Like all minority governments, it, therefore, has to establish a majority through negotiations with other parties, in this case the Radical Liberal Party and the Progressive Party. This, of course, reduces the possibilities of the government considerably for carrying through a policy to its own liking. When the four government parties have reached an agreement, they thus have to seek an agreement with other parties. This is difficult and it is not always a process which leads to the results that the government wants. People outside the government obtain too much influence.

The government is strong because it has the support of the majority of the population. The poll taken by the Gallup Institute of the popularity of the government shows that the public is still largely satisfied with the government. It may be claimed, as the Gallup Institute does in its own comment, that the government has started to lose ground, but the figures, nevertheless, show that the government is still enjoying far greater popularity than almost any other government of the country in the post-World War II years. However, it is clear that the great popularity which the government enjoyed during its first months in office has been replaced by a more realistic view of the government's accomplishments.

The present government thus has got both weaknesses and strengths. However, it has an additional advantage which makes it stronger than it might appear to be. It has the advantage that there is no actual alternative to it. The previous Social Democratic governments were weak, and their weaknesses became magnified by the fact that there was an opposition which was ready to take over, and which knew that it would receive the support of the voters when it did so. The present opposition is not capable of forming a government, and the public would not find it capable of replacing the four government parties. Not very many believe that a new Social Democratic government may do a better job than the present government.

The government has got both weaknesses and strengths. But there are no indications that it is not strong enough for a long life--and a considerably longer life than the Social Democrats expected when they gave up.

Party Leaders Comment

Copenhagen BERLINGSKE TIDENDE in Danish 25 Apr 84 p 7

[Article by Kirsten Lauritzen]

[Text] Following the January election, the government will for the time being still have to be regarded as a new government. That is why the most recent Gallup poll shows nearly the same figures as those of the Gallup poll that was taken in December 1982, says Ole Vig Jensen of the Radical Liberal Party.

The government should still be regarded as a new and young government. That is why I do not find that its popularity may be said to have dropped during the past 6 months. The most recent Gallup figures should be compared with the figures of the Gallup poll of 1982, the deputy chairman of the Folketing group of the Radical Liberal Party, Ole Vig Jensen, says in a comment on the new Gallup poll figures, which were published in BERLINGSKE TIDENDE yesterday. It appears from the said poll that only 34 percent of the voters find that the nonsocialist government has done a good job, while as many as 43 percent of the voters gave the same opinion as 6 months ago. Compared with the poll taken in December of 1982, the popularity of the government is today at approximately the same level as it was at that time when the government was still a fairly new and unknown quantity.

"We still have not got far enough into the new session of the Folketing for the government to show many results and to adhere to a more steadfast course," Ole Vig Jensen says.

The results of the Gallup poll do not come as a surprise to the group chairman of the Progressive Party, Helge Dohrmann. "Since the election in January, the government has been restrained by the Radical Liberal Party and it has thus failed to pursue the policy it promised to pursue prior to the election," Helge Dohrmann tells BERLINGSKE TIDENDE.

"That is why I find that many people have begun to doubt whether the government will really change things. The government leans much too much on the Radical Liberal Party and, consequently, carries through a number of weak compromise solutions which nobody can really object to but which do not result in any major changes either.

The fact that Henning Christophersen has been running for the post of chairman of the Commission of the European Economic Community may, of course, have had an impact, but I am more inclined to believe that the declining popularity is due to the dominant position played by the Radical Liberal Party in the policy-making of the government," says Helge Dohrmann.

The Radical Liberal group chairman, Niels Helveg Petersen, recently told the monthly periodical of the Liberal Party, LIBERAL, that "during the last few months, Danish politics has been marked by a strange atmosphere of holding back, as if submerged." According to Helveg Petersen, this could be associated with the self-scrutiny which is going on within the Social Democratic Party. However, in his opinion, the major reason is the fact that this is the first time since 1971 that a government has been able to plan ahead for a period of 3-4 years.

"It is no longer a question of an emergency rescue of a country that is on the brink of disaster," Niels Helveg Petersen tells LIBERAL. "The government is not subject to the same risk of becoming overthrown in 2 to 3 weeks as other governments have been. It has got 4 years ahead of it and has thus not only the possibility but also the obligation of planning ahead for a longer period of time."

Niels Helveg Petersen, furthermore, says that the reason why the government is abiding its time is that it wants to find out whether it really is a question of a lasting economic upswing.

BOOK EXAMINES GENERATION GAP, SOCIETAL CHANGE

Copenhagen INFORMATION in Danish 6 Apr 84 p 6

[Review of book "Menneskenes land--14 grønlandere fortæller" [Land of the People] by Eja Nilsson. 136 pages, illustrated. Kr 118.00]

[Text] The generation of home rule has long ago introduced new, unimpressed notes into the Greenland debate. They also resound in this book in which fourteen young Greenlanders relate their lives before, during and after the reacquisition of their identity as Inuit.

With these "self-portraits," Eja Nilsson has reached far into the Greenland reality, where a belief in the future and the necessary self-awareness alternate with the equally necessary as well as understandable concern with respect to the nature and scope of a number of current problems.

Behind many of the statements one senses the bitterness toward the G-60 policy and its still noticeable consequences--the model for the development of the society which made most Greenlanders some kind of spectators to "the big step forward," and in this understandable bitterness it is easy to pass over various historical facts, forgetting that it was not only "the colonial power" of Denmark which wanted this policy but that the local Greenland parliament also found it necessary to go in for industrialization, population concentration, increased instruction in Danish, etc., in an effort to make the country's basis of existence and economy independent and its labor force competitive.

However, it also became a policy which very soon had such harmful effects of another nature that it was the generation which was forced into the danization, and which still has scars in its soul from it, that as the vanguard of home rule advanced the demand for an existence on Greenland terms. And that is what they today are in the process of realizing. A close reading of this book provides good possibilities of forming a picture of how it proceeds. It reflects faith, hope, and love despite the many difficult hurdles of the everyday life. However, it does not attempt to conceal the problems (such as the extremely difficult liquor problem with all its social effects), and it is hardly uncharacteristic that the majority of those depicted in the book are employed within the social sector, which is also Eja Nilsson's field of work. It says something about the price for regaining a Greenland identity. Nevertheless, the book represents an optimistic account of the willingness to take hold of one's own fate.

DEFENSE POLICY DISCUSSION WITHIN SPD WIDENS, INTENSIFIES

Munich SUEDEDEUTSCHE ZEITUNG in German 19 Mar 84 p 7

[Unsigned Article: "Glotz Revives Dispute Over Strategy--CDU Accuses SPD of Trend Toward Neutralism in Defense Policy"]

[Text] Hamburg (dpa)--Leading Social Democratic Party [SPD] functionaries argued over the weekend for new approaches to defense policy and demanded more independence for Europe. The federal executive secretary of the SPD, Peter Glotz, expressed himself against continuing a NATO strategy based on nuclear weapons before the SPD in Berlin because they lost their credibility vis-a-vis the Warsaw Pact and our own citizens. The political Left must devote all its resources toward gaining majority acceptance of a NATO strategy based solely on conventional defense. The spokesman for defense policy of the Christian Democratic Union/Christian Socialist Union [CDU/CSU] Party, Willi Weiskirch, commented that it was irresponsible for a leading SPD official to call for a defensive strategy for NATO, even though he knew that a defensive strategy had been the only legitimate policy for NATO from the beginning.

A resolution of the SPD district Hesse-South rejected the NATO "flexible response" strategy because it does not preclude the first use of nuclear weapons. The resolution called for reducing the "unacceptable risk" of nuclear escalation, and for eliminating the risk over the long term by creating a European peace system. A Europe free of nuclear weapons, to be achieved by canceling the modernization of weapons, was demanded.

SPD chairman Willy Brandt expressed himself in favor of greater political independence for Europe vis-a-vis the United States during an election rally in Reutlingen. "One is not an enemy of America," he said, "by expressing our desire to be more independent." In view of the increasing danger brought on by the arms race, one cannot remain a "puppet". The secretary general of the CDU, Geissler, retorted that the SPD was searching for a "political no-man's-land" between the United States and the Soviet Union, and that this trend toward "national neutralism" could have "disastrous consequences". Foreign Minister Alois Mertes (CDU), on the other hand, also talked about the unequal balance of power within the Atlantic Alliance in favor of the United States. He would like to see a Europeanization of defense policy.

Hans-Jochen Vogel, the SPD chairman in the Bundestag [Federal Parliament, Lower House] berated Federal Chancellor Kohl for promising to bring about peace with fewer and fewer weapons, but then agreeing to the stationing of new missiles. Vogel stated before the Westphalian SPD that the federal government would have to take the initiative to stop the nuclear race of the superpowers. There are new attempts to do away with and ban chemical warfare weapons which were also being supported by the GDR.

The SPD defense expert in the Bundestag, Egon Bahr, also called for a new approach to defense during a party event. It should be based on a strategy of mutual security instead of deterrence. This would include eliminating the new generation of missiles and preventing the deployment of new chemical warfare weapons. The SPD has proposed discussions in East Berlin concerning a European zone that would be free of chemical warfare weapons--an answer is expected momentarily.

Erhard Eppler, member of the SPD executive committee, pointed to the link between policies relating to the labor market and policies relating to the preservation of peace before the South Hessian SPD. He called it an illusion to think that arming could create additional jobs; what happened is that efficiency measures in this area during the past years resulted in the loss of 150,000 jobs inspite of rising production. Eppler called for an all-encompassing concept for the policy of peace: It is not enough to protest only against the American nuclear missiles on German soil; to guarantee long-term peace in the world one must also advocate a "great program of disencumbrance" to benefit developing countries. Specifically, Eppler called for steps to create a nuclear-free zone in Europe; an "energetic and unified Near Eastern policy" by the Europeans; and greater political and economic independence for the developing countries. Stable conditions in the Third World are necessary to assure a Europe without war and destruction.

Oskar Lafontaine, SPD chairman in the Saarland, appealed for an increase in 1984 in "protests against the armament craze in the interest of the survival of mankind." Lafontaine, a member of the SPD executive committee, said that speculation "must never arise" that resistance will cease after the stationing of American intermediate range missiles in the Federal Republic has started. Democratic socialism today has the mission of "preserving life on earth."

Lafontaine sees a connection between the positive trends in internal German relations and the stationing: Policies relating to Germany are profiting at the moment from the "bad conscience of the CDU and the Free Democratic Party [FDP]" after it became apparent that the counterarmament had initiated the next round in the arms race. By improving the German-German relationship an attempt is being made to "pacify emotions also in our own country." Lafontaine predicted that something would be set in motion within the CDU with regard to armaments as was the case with regard to the policy relating to Germany.

ANALYSIS OF CURRENT PASOK IN-FIGHTING

Athens I KATHIMERINI in Greek 1-2 Apr 84 p 4

[Article by Khristos Karanikas]

[Text] The government is giving the picture of a sinking ship with the retractions, scandals, ministers' resignations, and implacable hatred which separates its various groups. Prime Minister A. Papandreou is trying, with sensational pyrotechnics--which do not hide, however, his spasmodic movements--to conceal his weakness in controlling the situation and, particularly, in calming the war within his government and his party. The beloved ending is Kastro's selection of people of unlimited trust, but also people who have no access to popular supports, to replace those who are withdrawing.

The political movements of the government's top level, and of the prime minister personally, are now bringing to a fairly difficult position even most of the parliamentary members, who feel that an impassable ditch separates them from Kastro. Probably for this reason, a fair number of ministers have maintained a safe distance in the scandal-mongering of recent days, which is tending to degrade our political life to the era of Deligiannis. They see, furthermore, that much has changed in the simple citizen's position vis-a-vis the government, after the PYRKAL scandal and the resignations of the minister and deputy minister of finance, I. Pottakis and D. Pitsioris. The passive discontent and loss at the crossroads are being turned **now** into an active condemnation, from the neighborhood grocer to conversations on the buses.

The other side of the picture presented by the government is the mutual convulsive wailing by its various groups, in which they give the impression that a hard reckoning is occurring on matters of which the world is ignorant. The retractions, as in the case of the lifting of immunity for New Democracy Deputy G. Panagiotopoulos, have the opposite effect. In politics, every action does not always have the same effect, every act carries within it its discordancies, and the worst is inconsistency, something entirely different from a change in political choice. At any rate, the lifting of immunity will have another significance now and will harm the prime minister, who for the two and one-half years he has been in power has done anything but respect the parliamentary institutions.

The trips to provincial cities prove to be solitary walks, only because the possibilities for giving hospitality are blown up by the large number of people in his

personal retinue and by those passed by. The leader's prefabricated meetings and "audiences" remind one of the era when the great vizier with his secretaries sauntered about the villages and listened to grievances so that in his great rage he could bestow justice and deliver promises about relief from the great number of trials persecuting the people. But, as Greek history writes, since that era these people have made so many struggles for their independence and democratic freedoms.

Selection of 'Technocrats'

The phobia against anyone who does not belong to the close circle of Kastro is the chief characteristic of the political choices made by the government. Events prove that Mr. Papandreu's psychology pushes him to select people around him who have personal ties with him from the past and have no political base in the country. This is the interpretation given, at least, with the recent changes and assumption by the same people of as many ministerial seats as have become vacant. At difficult moments and with unforeseen developments from day to day, Kastro shields itself all around, believing perhaps that it is an impregnable fortress, or that somewhere there on the luxurious lawns ends Greece.

The isolation from the world is occurring with methods unprecedented for Greek political life. One year after, socialization is acquiring another meaning, and the Ministerial Council is being turned into a school room for teaching ministers, who have baptised the streets of Athens with their blood, some things which the American-bearers bring. Probably because they believe that the history of this country is the same as any Latin American country, or that public opinion has no memory of what the government said last year about PYRKAL, its first socialized enterprise.

The technocrats who brought Article Four, copying the laws of the "progressive" Latin American militarists, are now trying to impose a prohibition on strikes in the public sector, that is, in Greek society's most pioneering syndicalist agents. If, however, the real face of Kastro and the technocrats had not yet been completely revealed last year, this year those who will believe the intention the government projects are minimal. Enmity towards the government, not only contestation, has progressed to the lowest strata of Greek society--lowest with the clearly conventional meaning of those who are lowest on the income pyramid but who, on the other hand, employ the political sensory organ of a people so old and with so many democratic struggles.

Public opinion's active contestation goes along with the government's unreliability. Mr. Papandreu's charisma has been lost in the deserted streets of provincial cities where he passes, majestic, with his retinue. The populist psychology which PASOK has cultivated so often never "grabbed" the people, and this was the other wrinkle in the 1981 sufferance vote--political messages both too delicate and sensitive for the technocrats who believe that what has been planned at U.S. universities can be transplanted to Greece. Without knowing that these stones are too strange and do not tolerate any seed.

The Ministers' 'Abstention'

The direction which the top-level of government has taken has worried very many ministers who, with some delay, are following the parliamentarians and centrists

and democratic leftist voters of 1981. The quests of everyone converge at that point where they realize that the language, even the Greek, which Kastri "speaks" differs radically from that spoken by the rest of the world. The same climate of the discussions in the coffeehouses is being transferred to the halls of the Chamber: "Something has changed in the last two months" is everyone's common denominator. But this something is what composes the informative difference between the democratic world and Kastri with the technocrats.

Politically, this other perception is expressed with the systematic abstention of many ministers from the present government's business of reformatations and scandals. Some, like the president of the Chamber, I. Alevras, the ministers A. Lazaris, I. Kharalambopoulos, K. Simitis, E. Veryvakis, Kar. Papoulias and the deputy ministers As. Fotilas, St. Papathemelis, and I. Floros are "minding their own business." And it is not accidental that it is those who are doing their work better than everyone in the present government, minding their own business, and trying in every way to keep open the roads for communication with the people.

The fact is that these symptoms are presenting themselves at a time when the quests within the majority party are multiplying. The government's retractions and constant contradictions on any issue have fatigued most of those who supported it up to a short time ago. The great dilemma for these politicians is what will happen with all these people who voted for PASOK in 1981 and now, to the greatest percentage, remain out in the cold at the crossroads. Kastri is doing whatever it can not only to drive them away from the present majority but also to incite them against the government.

These developments are critical for the political life of the country which is entering the most difficult post-war period. The prospects for a substantial change, with a convincing policy, do not exist because the negative vote and active disapproval which are being formed cannot be considered sufficient by anyone who aches for this country. Furthermore, to a great degree, PASOK's failure can be attributed to the fact that it has not understood what a sufferance vote means, and it has behaved in power with arrogance and intoxication, and is now reaping the fruits.

The quests of all these, however, concern what is happening from here on out. An entire world in the Center and democratic left remains out in the cold, rummaging amidst the smoke left by Kastri's sloganizing and its third-world visions. Unfortunately, or fortunately, socialism as a political conception and practice has been mortally wounded by PASOK's experience, and the problem is how will there not be an equally hard wounding for the republic, this sensitive and delicate tree which is not bearing up against the prime minister's ironclad withdrawals and the absence of any kind of dialogue.

9247

CSO: 3521/226

KKE'S FARAKOS ON GOVERNMENT'S STATUS, PASOK RELATIONS

Athens ETHNOS in Greek 8 Mar 84 pp 11-12

[Interview with KKE Politburo member Grigoris Farakos by Giorgos Gatos]

[Text] Grigoris Farakos is unquestionably one of the most discussed political personalities of the post-dictatorship period, maybe more by those in the area of the communist left. And not only by the Left, but also by the whole spectrum of our political world--by every side, for its own reason, and to serve some particular expediencies, evidently.

From this standpoint, a discussion with Grigoris Farakos acquires an altogether exceptionally special interest when one considers it is the first one being published.

They say about Farakos, the number-two person in KKE's collective leadership, that he wants to be presented by the urban political area, that he is the "tough" nut in the party's guidance. This means politically: closed to openings, strict in procedures, closely bound to party tradition, unbending in his positions. Because surely no one could seriously give such a characterization to the human and sociable Farakos. To the fighter, yes--if one takes as a given his varied and unretreating struggling history and the facts of the fire which vivified and marked it.

He himself, at some turn in our conversation, stresses: "There are no commanderships, or dauphins, or personal rivalries, or tough or soft people in us. KKE is a party different from the others. There are principles. There is a collective development of our policy. There is a democratic discussion, where everyone expresses his opinions. And through this discussion we arrive at the development of our policy. We act as one person for implementation of this policy which the majority decides."

My fellow-converser notes that these "Bengal lights" are one part of a general anti-communist campaign against KKE. It does not concern his person exclusively, even if it is often centralized on him: "I do not think this is, primarily, some specific choice of a person, nor do I consider the attack occurring against me personal. Its target is the party. Besides, it is happening to other party cadres, in one form or another--in an effort to 'personify' the scenarios and fabricated biases which are being marketed to public opinion so they will appear more plausible."

Cooperation With PASOK

The interview with Grigoris Farakos is, for the most part, a political interview--which means a clear positioning vis-a-vis our political opportuneness, in the present political developments.

How does Grigoris Farakos judge what, ingeniously or not, has elapsed recently for some tension in relations with PASOK, and in opposition to the good climate which had prevailed previously and had been expressed particularly with the cooperation in GSEE [Greek General Confederation of Labor]?

Question: Is there, in truth, as is being written and said by several people, a change in the KKE policy vis-a-vis PASOK?

Grigoris Farakos is categorically negative and says: "Of course not. There is no change in our policy. What actually has been noted were certain displays of government policy which we, at least, find negative, and--as we have always done in analogous cases--we criticized these.

"I take into account, above all, the unacceptable use of the Right's anti-labor Law 3239/55, an act which was opposed by GSEE and all the country's labor organizations, along with PASOK's syndicalist factions. Also, the raising, with nationalistic tones, of the issue of the Greek minority in Albania, which may undermine the government's Balkan opening and, objectively, serve the reactionary forces."

We Do Not Concur With the Government

And he adds: "How is criticism of such actions interpreted as a change in our political choice on the issue of cooperation? Is it not a bit strange? And why, really, were some people so willing to present this criticism with such 'emphasis'?

"Maybe because they have been bothered by the cooperative spirit being promoted at the base among the adherents of change, in whichever political faction they might belong?

"We have said, and we are saying clearly, that, despite our serious differences with government policy on the great issues of change, we are not opposed to partial co-operations with PASOK on specific targets in confronting popular problems, promoting democratic reforms, repulsing the Right's plans, etc.

"But, at the same time, we have clarified in the most categorical way, that this position of ours on cooperation does not mean our concurrence with government policy or some tolerance by us for its actions which damage the cause of change."

Question: How do you position yourself vis-a-vis cooperation? What does it mean for you? And how, on one hand, do you place yourself in support of cooperation and, on the other, find yourself within the workers' mobilizations which logically conflict with government policy's partial choices?

I consider the answer at this point revealing and clear--without leaving the smallest room for interpretations:

"Cooperation does not exclude differentiation from and criticism of government work, of very many government choices and decisions.

"Above all, we do not regard cooperation as one kind of operations at the top to deactivate the workers' mass movement. It would be as if we wished to make the principal weapon of change--that is, unity and the workers' struggle--useless.

"Really. What does the cause of change have to lose from the workers' struggles to secure a tolerable income, from their effort to negotiate from better positions new branch collective contracts with the employers?

"And why these dramatizations being made by the government when certain branches of workers exercise the legally protected rights they have won? What reason is there for the minister of labor to resort to using an unacceptable, but also legally lifeless, clause of Law 3239?"

No to Anti-Labor Laws

And he points out, in a particularly explicit way: "Today's trade-union movement has the combativeness and maturity and responsibility to formulate realistic targets, to find the appropriate forms of struggle, and to isolate reactionary forces. And of course whatever problems exist here or there must be solved with a dialogue, not with recourse to anti-labor laws, a show of 'fists' and abrogation of the trade-union movement's independence."

The discussion has proceeded. Grigoris Farakos calmly smokes his pipe, sometimes he concurs with half a smile, and he answers my questions without hesitations and waverings, without silences and pauses to collect his thoughts--decisively and clearly. I ask him: Well, you have not changed your policy vis-a-vis PASOK.... Nevertheless, perhaps PASOK has changed the course of some policy, maybe you see and verify changes in government policy?

Answer: "But these problems are being created precisely because there is no change in the direction of government policy--which we have evaluated as a whole and discussed both at the 11th congress and at the party's KE [Central Committee] plenums afterwards."

Facing An Impasse

And he notes: "The government persists in the same policy and this is bringing it to an impasse at present. Instead of deducing the correct conclusions, it is losing its composure, is being seized with nervousness and is making spasmodic actions such as those I referred to. And of course we must say that circles in the local and foreign establishment are pressuring, or 'advising,' the government to go more to the right and to come to a break with KKE.

"Often such 'advice' about a more rightward course is given supposedly so PASOK can secure the support of centrist voters. In reality, they want to bankrupt the government, to bring it into opposition with the people, to undermine, more generally, the idea of change. To present the cooperation of adherents of change as unattainable.

"We, on the other hand, believe that the only real solution lies in the decisive support in the popular movement and the cooperation of all the progressive forces for promotion of change."

Grigoris Farakos has had an unbroken party and combative life since 1941--as, in his first year at the Metsovion Polytechnic he enlisted in the lines of OKNE [Federation of Greek Communist Youth] and EAM [National Liberation Front] Youth, and later in EPON [National Panhellenic Youth Organization]. He has, moreover, a varied party and political experience--as, since 1941 a KKE member, through unending hard struggles and persecutions in the cities and mountains, in exile and illegality in the years of the dictatorship, he was elected a member of the party Central Committee in 1961 and has been a member of the Politburo since 1968.

The discussion with him on KKE's internal-party issues, but also on the directions and expediencies of an anti-communist and anti-KKE campaign which has never stopped, which numbers as many years as the Communist Party has existed and acted as a political organism in our country, and which in this period appears to be acute again, is unquestionably timely and useful and important.

Unity of Thought in KKE

I take advantage of the most up-to-date hearsay, coming recently from one part of the press and being promoted with a "theoretical" emphasis by certain periodicals, about biases and confrontations in the KKE leading group--particularly as concerns KKE's recent positionings, with the decision of the KE Plenum, both in Kharilaos Florakis' speech in Salonica and during his recent interviews.

It is true that these positionings which, in common acknowledgement, composed and were counted as an "important opening" of the party were bombarded by a series of urban, but not only urban, printed matter, with a shower of conjectures which reveal in different variations and tones that these positionings have created confrontations and disagreements in the guiding organs of KKE and that they do not express the whole party.

The question to Grigoris Farakos is asked openly and to his face. And so his answer comes frankly and openly, and with the emphasis of a personal witness: "We are one party, with a unity of thought and action, with absolute unity at the top and at the base and among the young people and the old comrades.

"Personally, at least speaking from my nearly 25-year presence on the party's Central Committee, I can say that never before has the unity of thought and action in the party's guidance been so complete and unanimous. And this is, of course, what worries and unnerves our adversaries."

A small pause follows.... My fellow-converser's expression shows a bitter and ironic resignation. It is as if he is asking himself: "They are still not tired...." Then a movement of his head, a smile which is certainly a little sad, a little disgusted, more ironic.... And after, the confirmation of the whole expressive picture: "Always the same. For ten years now they have been doing no other work. Life contradicts them, but the communist-slanderers persist. What must finally be understood by the world, all the world, I stress, all the people--because the

communist-slanderers will always do their work, since this is their 'mission'--is that KKE is a party different from the others. A party with principles and with a collective development of its policy.

"These recent positionings of our party reflect the collective thought of KKE. And, of course, they comprise a creative development, a concretization, an enrichment, of the direction charted by the 11th congress, or 10th congress if you wish.

"This is true for the policy of our cooperations, or for the goals of change, or for the passage to socialism in our specific national reality, etc.

"We have a steady political direction. But it is not static. It evolves, is concretized and matures more. We have a stable revolutionary theory, but it is not a dogma. It is enriched, it absorbs the new element brought by life, struggle and the progress of the sciences."

And he ends: "We do not suffer from self-complacency. We study things ourselves, we worry, we search. We try to keep up with new requirements. Our party is a pioneering, struggling party of workers, a party of action, but at the same time a laboratory for collective and comradely discussion, research and inquiry."

Question: And the problem of the minorities, of the biases, of the confrontations which every so often they disclose in the urban press is arising in your party, how do you deal with it in theory and in practice? Given, that is, that it is not possible for everyone to agree on something.

Answer: "If we consider the 'minorities' and 'biases' not as some permanently formed and organized groups, but simply as different positionings on specific issues and in the process of discussing problems which life presents every day, then certainly they exist, as, moreover, emerges from what I have said.

"As they exist in every democratic process in the operation and dialogue of a political or other organism. For this reason, one time it is noted you agree with one person on some specific issue and another time with another person on a different issue.... But organized groups do not exist. The whole party coalesces to the majority's position following the decision, and unified it functions and acts."

Relations With Florakis

I risk a question which may anger him, embarrass him at the least, about his relations with the KKE secretary general, Kharilaos Florakis, with whom he has been presented in regular opposition by certain publications of the rightist press, though not only of the Right, persistently and for years.

Grigoris Farakos smiles, almost sneers...and answers: "It seems ridiculous to me for anyone to discuss such nonsense. It would be as if he gave significance to all these ludicrous stories."

Next--with an intense look and clear voice--he notes: "In the most categorical way, I assure you that these are conscious, suspect, obscene publications. And nothing more...."

My fellow-converser believes that all these false stories, hearsay, campaigns and attacks have KKE and its cohesiveness as a target. Their goal is to decrease the party's power and tear the attention of the masses away from its policy.

He stresses that often the campaigns originate in a pre-electoral period. He reminds me that student elections are close at hand, and the Euroelections in June. And he adds: "But of course the targets of this campaign are many. Our policy, which offers a passage to the road of real change, finds a huge reverberation very far beyond our party's voters. They want to decrease the range and power of this policy, saying that it does not express the whole party, and cultivating a doubt and unsureness about it.

"Beyond our party, they want to fight the possibility itself of a passage being found to the road of real change.

"They also hope that, with the 'rumors,' something will remain in a part of public opinion which is unenlightened and does not know how KKE functions.

"There are--and of course you know it--specific circles, mechanisms and services which are occupied professionally with the anti-communist struggle. These mechanisms are trying to drag into their campaigns certain journalists from the progressive area who have, of course, the right to have ideological differences with us, but who must, we think, before taking up the pen to write, check their information so as not to fall victim of guided deception."

And he stresses, with particular emphasis: "At any rate, let us say it one more time. All this senseless talk leaves the party members unaffected. Therefore, those who are trying to make them have doubts and hesitations, are trying to create, artificially and from outside, divisions within the party with these campaigns, are working in vain.

"Our party is armored with such principles, with such a democratic internal-party life, that all these do not succeed or penetrate."

He believes, moreover, that these "suspicious," "guided" campaigns are not turned only against KKE, but against other progressive forces also, with a goal of undermining their relations, destroying them and bringing down the level of the political life.

And he stresses: "A systematic undermining effort is also occurring against PASOK, with relatively different means and purposes, of course. In addition, one part of the press is generating yellow journalism, is trying to drop political confrontation to very low levels and to destroy not only the progressive forces, but also the political life in general.

"To break the people's confidence, to bring apathy and a lack of interest in politics, to cultivate the futility of enlisting and organizing into progressive political parties. This is pursued by the foreign and local opposition."

Question: And what do you believe about the Right? Are there biases and confrontations, are there groups? Why do they exist and how do you interpret their oppositions? Do you reckon that in the end the Right may split up?

Answer: "For a long time it has been clear that different biases existing within the Right's faction have been being expressed more openly. This is not owing only to personal oppositions, but, of course, because of these they have become fairly more acute recently.

"Whether these rivalries end in an open split, and at this moment facing the Euro-elections, is certainly something which will depend not only on personal ambitions, but also on the most general choices of the ruling class. And, as for this, no one can be positive about one interpretation or the other.

"At any rate, this finally depends on the degree to which the popular movement develops, places barriers to the Right's plans, and has a bearing on the promotion of Allagi [change]."

KKE Ascension

The Euroelections are one more critical and timely issue which enters into my discussion with Grigoris Farakos. What forecast does he have about the electoral percentage KKE will garner? How will KKE deal with its register of voters for the Euroelections? What broader political targets will it pursue?

The Central Committee Plenum which met day before yesterday--we are publicizing this news for the first time--was occupied, as we were informed, exclusively with the subject of the Euroelections. And as authoritative sources report, KKE's Euroballot will be a very broad ballot, a cooperative ballot of important personalities from the progressive area....

Grigoris Farakos notes: "In this battle, our ballot is becoming the junction for a series of popular forces, a series of different popular currents. Gathering around our ballot will be all those who put national and popular interests above the commands of the EEC, who either are in support of release from EEC, or have not yet settled this question.

"All those who want a change of course, who protest against the government breaking its words, and who seek another solution in the direction of change and cooperation of progressive forces.

"All those who want to protest against government policy, but also at the same time blackball the Right.

"All those who understand that the decisive strengthening of KKE reinforces the struggle for solution of their problems, for the consistent protection of our national independence.

"All those who understand that the vote given to small parties (KODISO [Democratic Socialism Party], KKE Interior, etc.) not only has no political weight to the benefit of change, but also goes into the balance of forces adorning the EEC of monopolies which cannot defend the national and popular interests. These and many others...."

Question: What forecasts do you make about the percentages you will garner?

Answer: "I do not think that we have accustomed the people to being bombarded with forecasts of percentages. The certain thing is that there is a steady rise in our party's power and influence, and our adversaries admit this. We expect this to be expressed electorally also.

"And we believe that contributing in this direction are our specific positions worked out by the KKE Central Committee Plenum which met recently, with the exclusive subject being the Eurodeputy elections."

And he stresses particularly that KKE's ambition in the Euroelections is not restricted only to an increase in its electoral power, but he also indicatively points out: "KKE's main pursuit is to further promote the coalition of forces which are interested in a genuine Allagi, and to wage this battle of the Euroelections along with other progressive forces."

The discussion with Grigoris Farakos draws to an end.... I searchingly follow from the corner of my eye his movements. It is the first time I have had such a lengthy and substantive conversation with him....

A KNE [Greek Communist Youth] and EPON member in the beginning, he passed on later to ELAS [National People's Liberation Army] as a student, and at the December intervention of the British he defended the gates of the Polytechnic as captain of the heroic student company "Lord Byron"; he was an electrical-mechanical engineer for EMP [Greek Metsovion Polytechnic School], specialized in power economy issues, when for the first time the gates were broken open by British tanks--where he was wounded seriously in Exarkhia.

The exiles and persecutions afterwards, the illegal activity in Athens, a political commissary of a company in the Democratic Army, as he receives his second serious wound, at Klefti on Grammos [mountain].

After the interminable years of political refugeeism, the new illegality in Greece as head of the KKE Central Committee echelon during the dictatorship, his arrest, his defense, his imprisonment. How many manners of living and situations does this generation carry with it? It is logical for me to say manners of living. Just as it is logical for one to leave these behind and to adapt and evolve to the needs and situations of another reality, that in which he lives. That which every struggler has faced as he returned from refugeeism....

Opening to Youth

I consider how much really of an "enigmatic" political personality Grigoris Farakos is as I hold and scan his short biography. As who truly can entirely free himself from the persistent ideas nailed on his brain by the information mechanisms of developed capitalism? I remember his recent speech at the KKE congress on youth and culture. And I note the impression made on me by his "opening" vis-a-vis this problem. I remind him and he answers: "I believe that my positioning which occurred in that speech lies within the total elaboration made by the party in its policy on the problems presented by life today."

And he adds, without leaving me room to draw him into open, personal testimonies:
"Of course, there are openings and there are openings.... We are talking specifically about those openings which correspond precisely to the present needs, to the present political developments and conditions.... To those problems, in particular, concerning youth which the present crisis in capitalism imposes."

9247

CSO: 3521/226

BRIEFS

AGENCY RECOMMENDS LAOS AID--Continued aid to Laos is recommended by the directors of the aid organization SIDA [Swedish International Development Authority]. During the 2 years beginning 1 July an amount of 120 million kronor will be used primarily in the forestry sector, communications, transportation and maintenance. Support for the forestry sector has been concentrated in forest management and to two state-owned forestry companies, which with Swedish-financed equipment is harvesting and planting forests in two adjacent forest areas east of the capital Vientiane. [Tidningarnas Telegrambyra] [Text] [Stockholm SVENSKA DAGBLADET in Swedish 17 Apr 84 p 6] 9287

CSO: 3650/182

ILICAK SUMMARIZES OZAL POST-ELECTION COMMENTS

Istanbul TERCUMAN in Turkish 12 Apr 84 pp 1,10

[Editorial by Nazli Ilicak: "Some Notes from Ozal"]

[Excerpt] [Prime Minister Turgut] Ozal has begun his post-election honor run. He is visiting everyone from shantytown inhabitants to businessmen and from university faculty members to journalists. Crowds form quickly wherever he goes. The people applaud the Prime Minister.

Listening to the complaints of professionals, Ozal said: "You are all critical of the price hikes, but the common citizen is more understanding. Wherever we go the people applaud us and greet us with affection and interest."

While defending the need for the string of price hikes, the Prime Minister and his colleagues do not forget to refer to the bad legacy they took over in 1983. Thus, in his speech at the Turkish Chamber of Commerce, Ozal said that they had "to start over in many areas and ask for new sacrifices because there were deviations from the stability measures in 1983." He said: "The accelerating pace of price increases at the end of 1983 has resulted in a rising inflationary trend in 1984."

From what we gather from Ozal's remarks, while it will not be possible to reduce the inflation rate to the 25-percent level targeted for this year, starting from June-July, the rate of price increases will be kept below what they were in the corresponding months of the previous year. In addition, the Prime Minister underscored two positive developments:

--Exports are growing faster than expected. Indeed, exports in January were 14 percent higher than what they were in January 1983 and in February they rose by 50 percent over their level in February 1983. Based on currently available figures it is estimated that exports in March will total \$650 million and that they will top the figure for the same month in 1983 by around 40 percent.

--Turkey has regained its creditworthiness abroad. In particular, following the local elections of 25 March, which showed that the Motherland Party's victory on 6 November was not accidental, foreign credit gates have been fully opened.

In his speech at the Chamber of Commerce, Ozal elaborately explained that his party has introduced into politics a mentality of compromise and a quarrel-free

model, and he attributed his success at the 25 March elections to the fact that the MP has avoided the right-left polarization trend.

Ozal stated: "We are not the continuation of any political party, because saying 'we are the continuation of a party' means asking for the continuation of the conflict and polarization that existed before 12 September." He added that his party is open to all those who endorse nationalist and conservative ideals, who believe in a liberal economy and who support the idea of social justice.

While analyzing election results like soccer scores, Ozal said that the MP achieved this success because it never defined its place on the political spectrum as being on the right or the left. He said:

"We won in 54 of the 67 provinces. We won by 15 to nil in Istanbul, 5 to nil in Izmir and 4 to nil in Ankara. If the majority system of 1950-1960 were in effect today, we would have won 398 out of 400 seats in the Assembly."

9588

CSO: 3554/207

WOERNER SEES NATO STILL STRONG DESPITE PRESSURES, THREATS

Munich EUROPÄISCHE WEHRKUNDE in German Mar 84 pp 127-132

[Article by FRG Defense Minister Manfred Woerner: "Alliance's Ability to Act Under Pressure and Threat Maintained"]

[Text] Last year was a fateful year for the alliance, as I stated in my latest speech to the 1983 military science conference. This year we have many reasons to look ahead with confidence. In retrospect we can note the following:

- The alliance has successfully withstood the Soviet claim to supremacy in Europe;
- The excited domestic policy debate on problems of peace and war has calmed down and has started to be stripped of emotional elements;
- Our efforts to improve the material preconditions of the NATO strategy have produced initial important successes;
- The East-West dialogue has by no means come to a standstill, the ice age has not started;
- The economic downswing has stopped. Things are looking up again; this is important especially from security policy aspects, too.

Last year the fundamental question was posed in an especially passionate manner how peace and freedom can be safeguarded for our country and for the Atlantic Alliance as a whole. The vote in the German Bundestag on 22 November 1983 and similar votes in other countries of the alliance, which mattered, have confirmed our determination to carry out the 1979 stationing decision. In the meantime, the first weapons systems have become operational. We have achieved our goal and the Soviet Union has failed to attain its goal.

NATO has succeeded in demonstrating its strength and cohesion as rarely before in the history of the alliance. Doubts in the reliability and predictability of the German alliance policy have been removed. This was achieved despite an intensive 4-year Soviet campaign to split the alliance. Its attempt to fashion the NATO dual-track decision into a lever of Soviet hegemonial power politics to achieve a one-sided zero solution for INF and thus to reinforce the imbalance of forces in Europe took on diverse forms:

- The Soviet Union tried to drive a wedge between the United States and its European allies by creating the demonstrably false impression that the United States had forced "counterarmament" on the Europeans.
- The Soviet Union tried to separate Europe's nuclear powers from the non-nuclear powers by asking that the British and French nuclear weapons systems be counted as a pretext for preventing stationing of U.S. missiles in Europe.
- The Soviet Union tried to separate the public in the West European states from their governments by stirring up fear of a limited nuclear war.
- And finally, the Soviet Union was also trying to create political differences between Europe and Asia by refusing in Geneva to include its SS-20 missiles directed against Asiatic countries, especially against the PRC and Japan, in the Geneva negotiations.

These Soviet attempts at splitting, decoupling, and intimidation have failed. The Western alliance has impressively maintained its ability to act under pressure and threats. The Soviet missile armament and the dangers emanating from it have not shaken the unity of the Atlantic Alliance.

Firstly: The strategic unity of the alliance has been strengthened and clarified. Restoration of the balance as regards intermediate range weapons contributes to maintaining the deterrence capability of our alliance strategy, especially the protection by the United States, which we need to maintain the freedom to form our policy according to our interests, not those of the Soviets. They did not succeed in degrading Western Europe and especially the FRG into a zone of lesser security and thus achieving the Soviet concept of the so-called "military detente."

Secondly: Political solidarity among the allies has been strengthened. The fundamental agreement of the NATO states concerning the bases of our collective security policy has withstood all demonstrations and controversies. In the past year in all three European stationing countries all three governments have been reelected which have emphatically advocated implementation of the NATO dual-track decision. France, too, which was not involved in that, has also greatly contributed to the unity of the alliance in this foremost security question for Europe. Rarely ever before has there been such intensive consultation in the alliance concerning arms control as in the development of the U.S. negotiating position in Geneva. Especially for German-U.S. relations, the close coordination of the INF negotiations between the two governments was unique. The same applies to the INF consultations within the alliance.

Thirdly: A common awareness of the Soviet SS-20 threat and thus the recognition of common security interests has grown between the West European and Far East states. As the state and government chiefs of the seven great democratic industrial states declared at the economic summit in Williamsburg in May 1983, "the security of our countries is indivisible and must be viewed globally." The SS-20, which was supposed to be utilized as Soviet hegemonial weapon in Europe and Asia, has long since become a weapon of Soviet self-encirclement.

The Political Damage to the Soviet Union

All this must give pause to the Soviet leadership. It has reason enough to reflect on the political damage that it has sustained by its SS-20 armament and propaganda campaigns. Moscow did succeed in triggering serious security policy disputes in the West European countries, but the goal was not achieved. The Soviet hope to prevent modernization of the NATO INF armament by means of "public opinion" has not been fulfilled.

The answer of the Soviet Union to the vote in the German Bundestag, its withdrawal from the INF negotiations in Geneva also make evident the self-inflicted Soviet policy defeat. What started as an attempt to put the credibility of the West to the test now backfires on the credibility of the Soviet Union. Is the Soviet leadership really interested in being pushed into the corner as a disturber of the peace?

After all, it has interrupted the arms control negotiations, but it has agreed to the reconvening of the Vienna MBFR conference next spring and it is participating in the Stockholm conference on Confidence Building Measures and Disarmament in Europe. The initially threatened and now instituted "countermeasures" to the stationing decision demonstrate once again that the Soviet Union is ready to exercise political pressure with nuclear weapons and that it is responsible for the arms race. The "countermeasures" glaringly contradict the Moscow proposals for disarmament and for nuclear-free zones in Europe.

The Soviet "countermeasures" also meet with criticism in the Warsaw Pact and create considerable concern in the stationing countries. This, too, is part of the political cost of a Soviet Western-policy failure. Romanian party chief Ceausescu did not hide his opposition to the course taken by Moscow in the question of intermediate range weapons. Also the attitude of the GDR leadership, which is expressed in Honecker's words that what is important in the "newly created situation" is to "limit the damage as much as possible," has been noted with interest especially in the FRG. Honecker's statement that "sooner or later" there will be "negotiations" on arms limitations "on a changed basis" could be a hint that now the East Europeans, too, will participate in the efforts to bring the two superpowers to the negotiating table. A growing awareness in both parts of Europe of the special security-policy responsibility for Europe in each sphere would constitute significant progress. Determining indications point in this direction.

All this is no cause for triumph or self-satisfaction. There is no doubt about our readiness to continue the arms control talks. We are ready for neither hectic activity nor unilateral advance concessions; our attitude is the product of a well-balanced foreign and security-policy concept for dealings with the Soviet Union. We can calmly await the outcome of the Soviet "pause for reflection." It would be helpful to all sides if the result of the Soviet pause for reflection would be respect for the Western, especially the West European security interests, just as we were and are ready to recognize the legitimate Soviet security interests. The conditions for joint security must be balanced for mutual advantage--they must not be dictated to Europe by the Soviet Union.

One word on the peace movement. The announced "hot autumn" failed to materialize owing to the level-headedness on all sides, the feared and by some hoped-for inroads into the foundations of our security policy and our state order did not occur. Democratic fair play and the clear political judgment have prevailed, which through the convincing election victory of the Kohl government has decided for continuation of our security policy based on our defense capability and readiness to negotiate.

Opinion polls cannot be cited as reasons for legitimacy. They can merely express the yearning of people for peace. We share this yearning. But prevention of war in our present world situation is not a matter for the timid or the dreamers, but a matter of practical political judgment. To want peace is not enough. If the desire for freedom and for patient political action and negotiation does not go hand in hand with the desire for peace, then at the end remains even greater insecurity.

We have proved that we are able even in a difficult political situation to do what is necessary for the safeguarding of peace without paying the price of less freedom for it. If we continue to pursue our clear policy of military balance and political understanding agreed upon in the alliance and to advocate it against criticism with convincing objective arguments, we need, also in the future, neither fear dialogue with the peace movement nor be worried about democratic majorities for our security policy.

Political Leadership Task: Convincing by Arguments

To join the present security policy debate: we fell victim to a dangerous self-deception when we believed that with the start of the stationing the domestic-policy disputes over our security policy and thus also the peace movement would be a thing of the past. This debate will continue. We must lead this debate and must not follow it. After all, the purpose of this debate is to convince the citizen of the correctness of our security policy which is supposed to protect his peace and his freedom and has to be responsible accordingly. If we want to prevail and win this debate, then only if we convince by arguments and if we clearly advocate a realistic security policy--a political leadership task.

No responsible politician can be interested in deepening the gap between the Federal Government and the opposition regarding the security policy. We should rather work toward reconciling the contradictions once again in some kind of basic consensus. The mutuality of the basic security policy views is of vital significance to us. I cannot recognize it right now but it is essential to prevent harm to the FRG prestige in East and West.

The present peace and security-policy debate suffers from a problematical narrowing to military-strategy and weapons technology topics. What I have noticed in many debates is the considerable absence of a discussion on the essential political facts, goals, motivations, and power-policy conditions with which we have to deal concretely in the security policy. It seems to me that a return of the debate to political reality is overdue. Only in this manner does the peace debate get a true chance to bring about a real consensus in our societies.

We must convince our citizens again that there is a threat, who threatens us, and that conflicts arise not from weapons but from political differences. We should counter the prevalent apolitical and unhistorical assessment of Soviet policy with the explanation of the completely different ideas that prevail in the Soviet Union concerning the value of human dignity, civil rights and liberties or the use of military force. We must reason with our citizens that defense preparations do not cause war but prevent it. We must explain that the goal of preventing war is realistic and successful.

We know: The Soviet Union is capable of conducting war against us but it is not interested in it as long as we can defend ourselves. Only if we soberly explain the present political and military situation to our citizens will they be able to recognize that a Soviet war against Europe is politically inconceivable and that therefore fear of the danger of war is unjustified.

We must also make clear once again to our public the political meaning of nuclear weapons: to prevent war, not to make war. Those who reject nuclear weapons must be told that from an historical aspect nuclear strength offers a revolutionary positive prospect to abolish war as a tool of policy, at least between the two big military alliances. And we must establish that peace in freedom in Europe is possible only with U.S. help. We cannot change the geopolitical conditions of sharing the European continent with the Soviet superpower--with the dividing line right across Germany. Without U.S. presence in Europe, this power difference would result in our dependence on the Soviet Union.

After years of dismissing the military conditions of our security from public consciousness, it would be very beneficial if the debate would concentrate again on these topics.

The actual strategy debate has proved there is really no politically acceptable alternative to the concept of the present NATO strategy. The strategy hearing conducted in the defense committee of the German Bundestag has also confirmed this. But improvements in the material equipment and military change of the NATO strategy and its political justification in public are possible and urgent.

The goal of our strategy is defensive. Politically and militarily NATO is unable to conduct large-scale aggression against the Warsaw Pact in Central Europe or anywhere else. The Soviet Union does not have the slightest reason to be afraid of a NATO attack against the Warsaw Pact. Shortage of manpower in active army units, in reinforcements and reserves and the defensive operational planning and logistics preclude this possibility.

But Soviet military strategy is offensive--at least in war, but that won't happen. What is more important is to recognize the offensive intention of Soviet strategy in peacetime. The Soviet Union pursues nuclear and conventional armament directed at clear superiority to gain its desired political goals without winning a war, by gradual destruction of the functioning of the NATO strategy and of the political cohesion of the NATO alliance. NATO has always avoided getting involved in a corresponding arms race with the Soviet Union. Goals and values of our Western democracies do not permit us to use a share of

the economic product as large as that of the Warsaw Pact for military purposes. Thus NATO, in contrast to the Warsaw Pact, provides a politically not to be overestimated contribution to arms limitation. We do not tighten the arms spirale.

On the contrary. Our conventional arms must merely suffice to frustrate with certainty a limited attack and to stop a larger attack at our borders without resorting to nuclear weapons. Whoever calls this offensive armament does not know what he is talking about. Our nuclear armament, too, is not superior to that of the Warsaw Pact but it is inferior to it. But it is enough for nuclear deterrence and to keep the nuclear strength ratio stable. Modernization of this potential even permits us its reduction and by no means forces us to increase the "overkill," as it is being asserted daily. Since 1962, the United States has reduced the explosive force of its nuclear potential by 75 percent and since 1967 the number of its warheads by one third. In 1980, NATO removed 1000 warheads from Europe and recently it decided on a further reduction of 1400 warheads. For every new warhead in the intermediate range weapons, it will remove an old one. Is it possible to provide better proof of our desire to renounce war and in favor of disarmament?

Military Capability for Defense of Freedom

But one thing we won't do: We are not going to renounce the military capability to defend our freedom. Since the alliance has been in existence, we have succeeded with the help of the NATO strategy to maintain a generally convincing deterrence capability in Europe--despite the political and military limitations of our resources and despite the regional military inferiority in Central Europe. In view of the continuing armament efforts of the Warsaw Pact we have always been forced to eliminate shortcomings in our strategy. We are now in this situation, too.

In many problem areas of our strategy we have undertaken the necessary efforts to maintain our capability for deterrence and defense. For years the United States has been carrying out a comprehensive modernization program in the nuclear-strategic forces to maintain the assured retaliatory and expanded deterrence capability for Europe. Modernization of the U.S. intermediate-range systems stationed in Europe has started. Thus the danger of strategic "decoupling" has been averted for the foreseeable future. Now the next problem area requires our attention: improvement of the NATO conventional defensive capability in Europe.

Here, too, we have done a great deal or have started it. Thoroughgoing modernization during recent years has considerably raised the defensive strength of our Bundeswehr. It is being continued. We have assumed additional tasks to relieve the United States militarily in Europe. Implementation of the Wartime Host Nation Support Program has started. As a result, in the future U.S. reinforcements can be made available more rapidly in Europe in case of crises or emergency. This is also being made possible by our significant contributions to the NATO infrastructure program. As part of the sharing of the burdens in the alliance, it has recently also been possible to conclude an agreement with the United States on the modernization of the NATO air defense.

I would like to especially emphasize this project because we thus succeeded in achieving three things at one time:

first of all, close coordination of the German and U.S. funds for the procurement and operation of PATRIOT and ROLAND systems;

secondly, a significant improvement of our conventional air defense capability;

thirdly, replacement of a nuclear option by a conventional weapons system.

This agreement simultaneously fulfills several political requirements:

--cooperation in armament to overcome a shortage of funds which prevented a national solution of the problem;

--strengthening of the conventional defense in Central Europe;

--reduction of our dependence on nuclear weapons.

This agreement has virtually a model character for the further development of our strategy.

In the past we have very greatly depended on the nuclear components of our strategy in order to prevent war. We have done this to spare our society "militarization" and the competition in the conventional arms race with the Soviet Union. This, too, is an important aspect of the ability of our strategy to reach a consensus. But we must now ask ourselves whether or not our present dependence on the early use of nuclear weapons undermines the confidence of our citizens in the credibility of the NATO strategy. This question is now undoubtedly in the center of the current strategy debate.

I do not want to go into further detail on the numerous exaggerations and distortions of this problem. But one thing appears to me to be certain as a political result of this debate: The dependence of our strategy on early resort to nuclear weapons must be reduced as much as possible. Therefore, improvement of our conventional armed forces has first priority. This corresponds not only to the existing NATO strategy but also to our political task to maintain the consensus of our strategy.

I know that this task can be achieved only with great difficulty. The conventional combat effectiveness of the Warsaw Pact armed forces will continue to grow; our funds will be short and our manpower will be even shorter. However, one thing is obvious: Improvement of the conventional combat effectiveness costs money. There are no cheap solutions for recruiting long-term, well trained personnel and utilizing modern technologies in the armed forces.

Especially the purposeful employment of modern technologies offers us a realistic prospect to advance the strengthening of conventional combat effectiveness of our armed forces more effectively and also cost effectively in the future. At present we are engaged in developing common conceptual ideas on the possibilities for strengthening the conventional defense in the alliance and to determine the

priorities for the force planning. It emerges even now that common efforts and ideas, division of labor and armament cooperation in mastering these tasks will more closely link the two NATO continents.

However, one thing must be evident: a world without nuclear weapons remains unrealistic wishful thinking since the knowledge and the capability to produce nuclear weapons for all times can no longer be removed from the minds of humanity. The best guarantee that nuclear weapons will never be used remains a balance at the lowest possible level. Precisely to prevent war, we cannot renounce nuclear weapons and that means: nuclear weapons remain an indispensable component of our security.

Political Efforts for a Peaceful Order

Thus far I have spoken more of military matters. That is not enough to demonstrate the prospects of our security policy. Military balance and our ability for defense are, it is true, the basis but not the substitute for our political efforts toward an acceptable peaceful order. Thus, the 1967 Harmel "Report on the Future Tasks of the Alliance" corresponds without change to NATO's present political overall concept.

Neither we nor the Soviet Union can disregard the differences between our social systems, ideologies, and political goals. But the common interest in preventing war and reducing armament corresponds to the compelling logic of the nuclear age. We must use this insight to attain a balance of interests wherever possible and to build a reasonable peaceful order. The Soviet Union, too, comes up against the economic limits of its armament. It cannot be interested in overtaxing its resources in an already difficult economic situation, which would entail an even more difficult domestic situation.

NATO proposes comprehensive disarmament proposals to the Soviet Union. Our offers are on the negotiating table which the Soviet Union has left. The request to the Soviet Union remains to resume the interrupted negotiations.

--It can, if it is seriously interested, negotiate drastic reduction of the strategic nuclear arsenal with the United States;

--it can, if it removes its SS-20's, remove the new intermediate range missiles from Europe;

--in Vienna it can achieve an agreement on balanced force reductions in Central Europe.

A few weeks ago, the Stockholm Conference on Confidence-Building Measures and Disarmament in Europe created a new forum for the East-West dialogue. It remains to be seen what will emerge for new confidence building measures by "militarily significant, politically binding and properly verifiable" measures. We are ready for all steps that can improve mutual security.

It is important that not least owing to the personal action of the Federal Chancellor and the German foreign minister, success was achieved in starting

talks between the two superpowers. The speech by the U.S. President shortly before the opening of the Stockholm conference underscores the West's readiness to resume the dialogue on a broad basis and to reach concrete results.

The East-West relationship must not be confined to armament and disarmament questions. In view of the worry about peace, that is understandable but it is not sufficient for the development of constructive cooperation. Experience shows that the willingness to develop peaceful relations opens the way to real disarmament.

We Germans have a special interest in that in view of the situation of our divided nation and also on account of Berlin in developing a practical relationship of cooperation between East and West. If we succeed in achieving progress in the practical fields of cooperation in science, technology, environment, transportation, and economy agreed upon in the final act of Helsinki, then agreements on arms control and more human freedom of movement will also be possible. That is an arduous process. We are not going to be able to eliminate the East-West conflict in that way but can make it more bearable without endangering our own freedom or sowing distrust in the Western alliance.

The Soviet Union and its allies should, however, know the rules for our readiness to cooperate. We are not ready to let them talk with us about our defensive capability. Our security, which we need for the protection of our freedom, is not negotiable. We also do not let ourselves be isolated in the alliance. A European peaceful order can only be created with the United States and not by political or military separation of the United States from Europe. Moreover, we expect Soviet caution in crisis areas of the Third World. Detente between East and West cannot prosper if the Soviet Union creates tension by interference in political and military conflicts outside of Europe.

Heeding these principles of the East-West dialogue is indispensable. The disappointments over the detente policy of the seventies ought to have made both sides wise enough not to repeat them by disregarding these rules in the eighties. With this precondition in mind, the Western alliance can once again turn to the East-West dialogue and use the existing opportunities for negotiations to attain more cooperation and understanding. Attainment of peace is possible despite all existing differences.

Let me conclude this political prospect with a historical review of the North Atlantic Alliance. In barely two months (4 April), NATO will be 35 years old. The great European alliance systems of the last century did not survive the political events of the time for as long as NATO is doing now. The NATO alliance has fulfilled its historical task anyway for 35 years: Peace prevails in Europe, the scene of many wars for centuries. While barely a day has passed since the founding of the alliance on which there has been neither war nor force somewhere in the world, the political and military balance in Europe has prevented war.

This peace is at the same time the basis of the freedom of our citizens in both continents of our alliance. The Atlantic security community of our democracies today constitutes the most successful peace movement in the world. This 35-year success story of the alliance gives us confidence in a secure future if we courageously, unerringly and powerfully strengthen the two pillars which support it: balance and readiness for peaceful cooperation.

EHMKE PRESSES 'EUROPEAN DEFENSE,' END TO U. S. DOMINANCE

Munich EUROPÄISCHE WEHRKUNDE in German Mar 84 pp 132-137

[Article by Prof Dr Horst Ehmke, Bundestag deputy: "Relationship of Tension Between the Legal and the Real Majority; Challenge to the Alliance--Security Policy in a Democracy"]

[Text] Development of a broad peace movement in Europe and in the United States, public disputes and demonstrations, church contributions to the question of peace in the nuclear age, and finally the appearance of security policy counterelites are obvious indications that the security policy consensus in the alliance has become fragile. At the annual IISS conference in The Hague in the fall of 1982, the former U. S. Secretary of Defense Harold Brown even spoke of a collapse of the domestic policy consensus on nuclear policy in Europe and the United States. What that signifies was summarized by Michael Howard at the same conference in the following sentence: "A society where domestic consensus has collapsed is in no position to fight a war, nuclear or otherwise."

If this analysis is correct--and the other speeches at the IISS annual conference in The Hague confirm it--then the Atlantic Alliance is indeed faced with an extraordinarily serious challenge. It must try to achieve a new consensus under more difficult domestic-policy, foreign-policy and economic conditions. This includes confronting an internal crisis of the acceptance of nuclear weapons and developing at the same time an acceptable external political and military strategy.

Such a political reorientation is not simple in a situation in which the discussion is completely concentrated on the missile question and thus is necessarily also narrowed, particularly since the dual-track decision has prevailed in the alliance, but has come to a standstill as regards arms control policy. The price for that will still have to be paid. Experience teaches that inability of action and movement vis a vis the Soviet Union in arms control questions could prove to be harmful to the inner cohesion in the alliance. One need not be a great prophet to predict that a suppressed East-West dialogue would tend to trigger centrifugal tendencies in the alliance. Every single government, but especially the governments of the stationing countries, moreover will have to bear the cross of counterarming.

Perhaps with the exception of France, whose political science has always carefully differentiated between "pays legal" and "pays reel", a growing relationship of tension will happen in Europe between a legal and real majority, whereby the feeling of insecurity is constantly expanding especially in the latter. The fact that the stationing of Pershing 2 and Cruise missiles in the FRG could only be implemented against the will of a broad majority of the people has been shown not only by polls. Since the 1979 NATO decision we are dealing with a new quality of the security policy debate.

Security policy questions have become public questions. Many experts bemoan this condition, in part perhaps rightly so, because lack of information in this field can have catastrophic effects, but in part also because a part of power threatens to slip away from them. However, in the long run the security policy, too, cannot lead an authoritarian state life of its own. It cannot be removed from the domestic policy dispute. Participation in the development of an informed public opinion is the life blood of democracy and the security policy requires not only a parliamentary majority but also consent and being rooted in the people. My CDU colleague Kurt Biedenkopf has pointed out this connection. The governments, too, should not confront with a defensive attitude his thesis of the nuclear borderline situation and of the necessary feedback between parliamentary development of an informed opinion and position of the voters, of social co-determination also in questions of defense and security.

The relationship of tension between the representative and a plebiscitary majority is part of representative democracy and will never be completely resolved. It is vital to the democratic process that when such a relationship of tension occurs, a process of consensus formation be started. We must not ward off the discussion on NATO policy and strategy, we must rather advance it to reach a new consensus. In the Bundestag we have made a first contribution to that--the initiative came from the opposition--with the hearing on the alternative security policy. The hearing in the Bundestag has shown and confirmed objective starting points for the future discussion. Dissent and consensus refer to factual questions. The necessity to continue developing policy and strategy of the alliance thus is derived not only from the aspect of formation of the democratic consensus and will in a split public. It is the result of factual questions.

Further Development of the NATO Strategy Necessary

The central topic is the fundamental dilemma of deterrence that is intractable as long as there are nuclear weapons. If what is to be defended would be exposed to nuclear destruction in case of conflict, then an alliance policy and strategy connected therewith will not be accepted in the long run by those affected. It must be further developed and changed to regain acceptance. Acceptance has become--and here I agree with Helmut Schmidt--in itself a strategic principle. A strategy that is not acceptable by one's own population will have little impact on the potential enemy. Therefore, further development of the NATO strategy is necessary.

Adhering to doctrines whose power of persuasion declines, reduces our security. The latter depends on many factors; it can be lost in many ways, including also by our own doing. It stands and falls with the willingness of our peoples to

defend themselves. In an alliance of democratic states, the unity of the staffs does not help much if the peoples are not backing the policy and strategy that is supposed to guarantee their security.

The Atlantic Alliance in its military-strategic doctrine is based on the use of nuclear weapons. Our political dilemma is that we will have to continue to live with nuclear weapons also for the foreseeable future. The Harvard study, "Living with Nuclear Weapons"--by the way an excellent and exemplary presentation of nuclear questions by experts for the broad public--rightly warns against the attempt to engage in nuclear escapism in one form or another. Nor should we build our hopes on the expectation that someday nuclear weapons will simply disappear, as happens sometime in the peace movement or in the churches. Nor should we accept or desire that someday they are treated like all other past weapons categories in the history of mankind--as some security experts are doing.

It is not absolutely necessary to agree with the following statement by Jonathan Schell to acknowledge that nuclear weapons are not weapons like all others: "If we are honest with ourselves we have to admit that unless we rid ourselves of our nuclear arsenals a holocaust not only might but will occur--if not today, then tomorrow; if not this year, then the next. We have come to live on borrowed time: every year of continued human life on earth is a borrowed year, every day a borrowed day."

To induce the present nuclear powers to suddenly abolish their nuclear weapons will not succeed politically, especially since the thesis to the effect that their deterrent effect after Hiroshima had ensured peace between the superpowers for 40 years cannot be proved nor can it be refuted. The only thing we can aim for in the foreseeable future are agreements on arms control and arms limitation. A quite decisive reason for the loss of consensus on strategy and policy of the Western alliance lies in the absence of arms control and arms limitation results during the past decade.

Since 1973 not a single arms control agreement has been achieved. The CSCE Final Act in the summer of 1975 was the last important document that was concluded on East-West cooperation. The United States did not ratify three potentially important arms control agreements:

--The Threshold Test Ban Treaty of 1974,

--The Peaceful Nuclear Explosions Treaty of 1976; and

--The SALT II Treaty of 1979.

Negotiations on a comprehensive nuclear test ban treaty, which were started in 1977, were abandoned by the Reagan Administration in 1982. Today the sole hope for further cooperation lies in the continuation of the CSCE process in Europe. However, the actual arms control negotiations, INF, START, MBFR and the disarmament talks within the framework of the Geneva disarmament committee, have collapsed or bogged down. The fate of the arms control policy from here on is an open question.

Return to the Policy of Strength

Added to that, the absence of arms control policy results went hand in hand with a return to the policy of strength on the U.S. side. The Soviet foreign-policy behavior has considerably contributed to this development. Nevertheless the exclusive justification of the U.S. armament measures with Soviet arming and Soviet foreign policy behavior is not convincing. The United States wants to become the Number 1 superpower once again. In the meantime, in Europe the fear of a stepped-up confrontation of the superpowers has become greater than the worry over Soviet military superiority in one area or another.

There is a growing fear that the world is sliding into a nuclear war on account of a U.S. confrontation policy and a mutual arms race. The politicization of the security debate started by the peace movement and the churches is the consequence, not the cause of the doubts in our alliance policy.

Therefore, our task consists in--and this is challenge and opportunity at the same time--letting the present debate end in a political, military, and strategic reorientation of the alliance. This would be an important contribution to the strengthening of our democracies, to the restoration of the alliance consensus and to the stabilization of the world political situation.

The difficulty of a broad public debate on security questions in the Federal Republic is the result of the fact that in this area the experts have been by themselves thus far. As a consequence, rituals of communication have been formed in which it is difficult for outsiders to participate. Americans are considerably less inhibited in presenting complicated facts in a popular form. The above-mentioned Harvard study is one example, the John Newhouse writings are another. The inclination to protect the experts' serenity is at the expense of confidence and--as Christoph Bertram rightly noted--promotes a social development that arouses more and more skepticism and doubt in information of governments and experts.

The information policy on counterarming is a telling example for that. The present differences between government and public on the other hand are also to a considerable extent the result of lacking confidence in the citizen and his ability to understand. True, it is difficult to struggle for agreement for security policy decisions. But the gain in confidence that can be achieved by inclusion and participation of the citizen is a big security-policy plus.

What actually would an FRG citizen who follows the security debate with interest, attention and political common sense and has started to think about the best form of national defense, what would such a "Mister Common Sense" have to tell us concerning alliance policy and strategy?

The Opinions of Mister Common Sense

I assume that our "Mr. Common Sense"--for the women's movement I hasten to add it could just as well be a woman--is part of that broad majority in our country which finds that it is a good thing to live in the West. He does not want to live as they do in the GDR or in other socialist states. He does also consider many

conditions here with us as deserving of criticism. But he is certain that he can better implement his own ideas in our society than in any other system. And he is ready to champion this order and to defend it.

For him it is also important that the FRG has been accepted in the community of democratic states in which the citizens are able to codetermine the development of their country. Therefore he favors the integration process in this community and the joint defense organization. It is evident to him that the order in which he lives can only be maintained and improved if it is possible to prevent war. And it is also evident to him that this requires not only a prudent foreign policy but also--especially in view of the growing Soviet military potential--military precautions are necessary. The FRG by itself would not be able to do so. For this reason, too, he considers it as correct that the FRG is a member of the Western defense alliance.

Of course the citizen has heard that the conflicts of interests and differences in opinions between the United States and Western Europe are increasing and that therefore some West Europeans are asking themselves whether or not Western Europe can organize its defense by itself. But a look at the world map has convinced him that Western Europe, as the western tip of the Eurasian continent, lacks the spatial depth to be able to constitute by itself a counterweight to the continental power of the Soviet Union. Moreover, he sees the long lines of communications over which the raw materials reach our raw-material-poor country and which must be protected in case of conflict--even though the raw materials cannot be procured by military action.

In addition, our citizen thinks, as we all do, of his pocketbook. He is afraid that his pocketbook would be overtaxed if the Europeans by themselves had to provide the means for a deterrent force and for the protection of the sea-lanes and the airways.

Therefore, the citizen is convinced that Europe needs the United States. His look at the world map has also convinced him that the U.S. security and superpower position would be drastically weakened if the United States would permit the European opposite coast of the Atlantic and the second biggest industrial potential in the world to come under Soviet influence. Thus he trusts in the common basic interest of the alliance.

However, as a good patriot and European, he does not think much of the idea that his country or the other European countries are being bossed around by the Americans. He truly wants--even though he may not know of President Kennedy's 1963 speech--NATO to be a "partnership of equals." He sees NATO as a regional protective alliance to maintain Western interest in Europe and not as an instrument of U.S. superpower politics.

A European basic instinct tells him that the confrontation and the arms race of the superpowers endanger Europe's security. In this connection he does not only think of himself but also of the Germans in the GDR and of the people in the East European countries who are not communist enemies to him but European compatriots.

He knows and feels that only patient contacts, exchange, and cooperation across the Bloc border--that has not been an "Iron Curtain" for a long time--can gradually reduce the consequences of the Hitler war and Yalta, while economic warfare and sanctions would force the peoples of Europe even closer to their communist leaderships and to the Soviet supremacy in the East Bloc. In a word, even though he has not read it or has not even heard of it, he is in favor of continuing the policy jointly laid down in 1967 in the Harmel report that seeks to combine adequate defensive strength with arms control and detente.

Contradictions of the Deterrence Doctrine

In the area of strategy it is already more difficult for our citizen to find his way. For the democratic public has been participating in the strategy debate only for a short time. However, the starting point for this debate is evident. The alliance strategy, just as the alliance policy, has the purpose of preventing war. Prevention of war today is the only effective form of defense for the divided Germany.

Our citizen has great doubts concerning nuclear deterrence even though our democratic order appears to him, as I have said, to be worth defending and therefore he approves of conscription, Bundeswehr, and alliance. Even though he must recognize that the nuclear weapons--which he would prefer to get rid of overnight--cannot be abolished so quickly on both sides; the nuclear deterrence doctrine appears to him to be full of contradictions.

First of all, he asks himself why it is that minimal deterrence does not suffice to deter a nuclear attack by the other side and perhaps also as ultimo ratio to ward off complete defeat by conventional means, why are constantly new "overkill" capacities being created. In this he finds himself in agreement with many experts, including the former U.S. Secretary of Defense. He considers the mutual vulnerability of the superpowers as an element of political stability and sees in the constantly continuing buildup of first strike capacities a danger to world peace. The very idea of a perfect missile defense system in space--that would combine first strike capacity with defensive capability against a counterstrike--he considers, without ever having heard anything of the ABM treaty, as an invitation to the opposite side for a preemptive strike. Absolute security for one side, that is obvious to him, means absolute insecurity for the other side.

Therefore he does not believe, or no longer believes, that security would be created by more and more weapons. He tells himself that in the age of weapons of mass destruction neither side can achieve real security against the other side even though President Reagan would put the entire United States in hock for his armament efforts. The citizen understands that certainty of survival today can be achieved for both sides together or not at all.

In addition, he regrets the billions of tax monies that the citizens of all countries must provide for the arms race. He would much rather keep the money himself or see that it is used to reduce unemployment and create training places for children or to fight misery in the Third World countries.

Our citizen has also not been convinced that the U.S. intermediate-range systems, whose stationing has been started even though a broad majority of the people did

not want it, increases his security. He reads in the newspapers that the Soviet side on its part--as long planned--is now shoving additional nuclear missiles into Europe. He regrets that the NATO dual-track decision has not led to fewer weapons, but to more. And he is not ready to lay the blame for the breakdown of the Geneva negotiations on the doorsteps of one side exclusively.

There are a number of reasons for that. Our citizen has learned that NATO is not seeking an isolated balance because otherwise the coupling to the U.S. strategic potential would become even more doubtful. He has also acknowledged that the number of 572 new nuclear intermediate-range weapons does not establish such a balance. On the other hand, he has had to learn at the same time that to the United States arms control agreements are acceptable only if parity is established in them. I know of no statement of the alliance that could help the citizen find a way out of these contradictions.

Our citizen would like it best if all Soviet and U.S. intermediate-range missiles were banished from Europe all at once. But he has also not comprehended the purpose which the new systems were supposed to serve. First he was told their purpose was to fight the Soviet SS-20's if necessary. In the meantime he has learned that this is obviously incorrect. Now he hears this purpose is to fight a second East Bloc attack wave deep in East Bloc territory up to the Western parts of the Soviet Union.

Our citizen has doubts whether it is politically wise in our Europe, divided and marked by Hitler's war, to set up on German soil of all places nuclear weapons that can reach the Soviet Union including Moscow. He also recalls that Adenauer rejected the idea for the FRG in the fifties when such missiles were stationed in Great Britain, Italy, and Turkey.

Moreover, the discussion on "decapitation strikes," "horizontal escalation," "limited nuclear wars" etc connected with the stationing of Pershing 2 and cruise missiles also worries him deeply.

Offensive Military Doctrines From U.S. Sources

He is afraid that the offensive military doctrines from U.S. sources--such as "Air-Land Battle 2000"--could undermine the jointly agreed upon NATO defensive strategy that primarily would have to endanger Germany. He also does not understand how it is possible to speak at the same time of "decapitation strikes" and of "controlled escalation" which presupposes capability to act on both sides.

Our citizen is now being told that these weapons are not intended for nuclear warfare; they are said to be political weapons whose possible use is only to "signal" the enemy that he must stop the started attack unless he wants to end up in a nuclear holocaust. But the citizen does not see why NATO needs an operational nuclear force of 600 systems for such "signals." A few systems, in his opinion, should suffice to "couple" Europe to the U.S. strategic forces. Their use as "signals" would advance the adequate deterrent uncertainty concerning the use of strategic weapons to the area of certainty. Our citizen does not know whether that is really necessary but, at any rate, he thinks that weapons of that nature be better stationed at sea.

The citizen does not believe at all that under the pressure of an emergency the flexible response and the step-by-step escalation will occur in the manner in which it is so neatly written down in the planning papers. He is afraid that any use of a nuclear weapon may lead to nuclear holocaust. Therefore, he finds it morally oppressive that the Western alliance of all organizations, his alliance, threatens or must threaten not only with first use but also with early first use of tactical nuclear weapons.

After having followed the discussion for a few years, our citizen has long understood that the development of constantly smaller and more accurate nuclear weapons and the transition from a strategy of "massive retaliation" to a strategy of "flexible response" connected with this technological development are a two-edged sword.

He has understood that no credible nuclear retaliation can be threatened against conventional attack, especially since in the meantime the United States itself has become vulnerable. He has also understood that the existence of tactical nuclear weapons in Europe strengthens NATO deterrence because, for example, it forces the enemy to spread out his armored units much more widely in case of attack. But he also knows that today the enemy also possesses tactical nuclear weapons and that in a conflict the use of one's own tactical nuclear weapons would lead to more rapid destruction of his homeland and its free way of life.

For fighting will take place on German soil in any case. A friend, who is a Bundeswehr officer, has told him that this contradiction of nuclear strategies is irreconcilable: Nuclear weapons have great advantages for deterrence but devastating disadvantages in case deterrence fails. On the one hand, it has been a relief for the citizen to be told by a military officer, too, that there are contradictions in the nuclear strategy. On the other hand, the question arises whether these contradictions cannot at least be reduced.

Nuclear-free Zones by Strengthening Conventional Armament

First of all, he thinks his alliance must get away from an early use of nuclear weapons. He also has little use for short-range nuclear weapons stationed near the border, which, in case of conflict, are removed from political control or may be quickly overrun by the enemy. Our citizen favors a mutual withdrawal of tactical nuclear weapons, which would lead to a nuclear-free zone in Central Europe, as proposed by the Palme Commission. He advocates a nuclear- and chemical-weapons-free zone in Europe. And he favors making such steps safe by means of strengthening of the conventional defense of the European central front.

But he knows that "denuclearization" or "conventionalization" of the NATO defense in Central Europe can only be financed if it is accompanied by arms control policy agreements which establish a balance of conventional military agreements among other things from the Conference on Confidence and Security Building Measures in Europe, which has just started in Stockholm. He knows that such negotiations are difficult, but on the other hand he is aware that the security policy risks in Europe cannot simply be removed by arming.

To him it has gradually become evident that strengthening the conventional defense of the European central front while raising the nuclear threshold and

step-by-step denuclearization of Europe could represent the answer to many of the problems depressing him. He also asks himself why we are spending today billions upon billions in tax money for conventional armament when this armament is so bad that--as a very inflexible response--early first use of nuclear weapons becomes necessary.

In this connection he does not underestimate the destruction that a modern conventional war in Europe would cause; his experiences from World War II are bad enough. But he believes that an unfortunately started conventional conflict will be easier to control, limit, and end than a nuclear clash. He believes that strengthening the conventional defense while removing tactical nuclear weapons will not weaken the deterrent effect of the alliance, but, on the contrary, will increase it.

Our citizen expects from such a development of the NATO strategy also political advantages in the relationship of the West European alliance partners among themselves as well as in the relationship between Europe and the United States.

On the other hand, he knows of course from the newspapers the problems arising from the negative population development in the FRG for the effective strength of the Bundeswehr. Therefore he welcomes the agreements with the United States and now also with Great Britain which are supposed to prepare for and ease the movement of additional troops to the European continent in case of tension or conflict. But sometimes doubts creep up on him--especially since the United States and Great Britain have abolished conscription--whether in case of conflict really additional troops would arrive or whether on the contrary U.S. troops stationed in the FRG would be removed for the worldwide U.S. "Rapid Deployment Force."

Especially in view of the Bundeswehr manpower problems he therefore is of the opinion that in the coming decade great importance will be attached to German-French cooperation for the effective strength and the ability to mobilize reserves on the continent. Therefore he welcomes--as does the government and the opposition--President Mitterrand's initiative to this effect.

Our citizen cannot yet picture the modern conventional weapons technologies. Therefore he favors canceling or postponing expensive large naval and air force projects to make more funds available for the army, especially for antitank and air defense. For, if possible, he does not want to spend additional money for armament, especially since he foresees social tensions in his country with further cuts of social expenditures. He knows that his country cannot decide between "guns and butter" but that it must find a proper ratio between the expenditures for both, in accordance with the economic and financial situation.

He worries that the U.S. economic, monetary, and financial policies do not take Europe into consideration and that the U.S. protectionist measures--by the way also as regards arms purchases--increase the danger of a trade and economic war between the United States and Europe. He advocates a joint, self-assured policy of the West Europeans in questions of the international economy and of technological competition. In this regard he knows of course that the Europeans, too, are not free of protectionist sins and that especially they must finally straighten out their EC.

Thus far our citizen with his many questions and question marks. By the way, I would like to assure you that he is not related to me in any way. He is not even an SPD member. But one thing he has in common with us: he has political common sense. And for that reason alone he deserves an answer. Let me now add my concluding remarks.

SPD's 'No' not Directed Against the Alliance

At its Cologne Party Congress, the SPD rejected with good reason the stationing of new intermediate-range weapons in Europe. Only uninformed or malicious persons can imply that this No is directed against the Western alliance. The rejection of a debate on alliance policy and strategy would, however, automatically place the alliance question on the agenda.

We Social Democrats continue to be unwilling to accept the Soviet military threat to Western Europe without objection or without resistance. On the contrary: We criticize the Federal Government and the U.S. Administration for the fact that, as a result of their policy, not a single SS-20 missile has been removed by the Eastern side. The Warsaw Pact continues to arm in the intermediate-range and also in the short-range area. Both sides will have more nuclear weapons and with them no more security, but more insecurity.

For experienced observers, such as Steve Canby and Ingemar Doerfer, the present situation is the worst result imaginable: "It could strain and perhaps permanently damage the social fabric and political structure of Western Europe, while creating fears of a decoupling Eurostrategic balance. The only deterrence to Soviet nuclear threat to Western Europe are U.S. strategic forces, not INFs, and not nuclear parity in Europe."

For the FRG, the result following the absence of negotiating results is a more unstable deterrence situation than ever between East and West. In the end it may happen that the superpowers will achieve an arms control policy balance in the START negotiations but the arms race in Europe will continue. This signifies, to use a term by Michael Howard, a loss of "reassurance." This can only be restored in the larger context of the European-U.S. relationship.

Decisive for the effectiveness of the expanded deterrence are two things: The political engagement of the United States for the defense of Europe and--as always--the fundamental U.S. military presence in Europe. This presence is expression and symbol that an attack on Europe is at the same time an attack on the United States.

The West Europeans must become an independent force in the alliance and must speak with the United States with one voice also on security questions. Only then will it be possible to replace the U.S. dominance in the alliance--about which the Europeans complain often and like to complain--by a "partnership of equals." It was President Kennedy who coined this phrase more than 20 years ago and spoke of the "two pillars of NATO," the U.S. and the European pillar. This shows that such a European role can be compatible with U.S. interests.

The present critical utterances from the United States on the role of the Europeans in the alliance suggest a new division of labor in the alliance by

mutual agreement based on a reassessment of the situation and its requirements. Europe must assume more responsibility for the defense of the European central front. The United States must accept the Europeans as truly equal partners in the alliance and must resist the temptation to fashion Western Europe into a tool of its superpower policy.

Sensible Division of Labor Also Outside NATO

A sensible division of labor outside NATO could also develop from such a West European policy of strengthening its influence--or, as President Mitterrand put it, becoming more independent in the alliance itself by greater mutual dependence. A Western Europe striving for greater independence without itself claiming to be a world power will be and will remain more attractive to Eastern Europe, the Mediterranean area, and the Third World as a whole than a Europe that would--in vain--chase after its own world power ambition.

The time when expanded deterrence can relay on U.S. nuclear superiority is probably gone forever. Rather the United States--even though not everybody wants to acknowledge this truth--and Europe must adjust themselves to parity in the U.S.-Soviet relationship and must carry on this relationship on the basis of parity. That is a political task. This is especially important because the Soviet Union is on an approximately equal basis with the United States in military respect, however not in the fields of economy and technology or as a social and political system. The problem in dealing with the Soviet Union, among other things, lies in the very fact that it seeks to use the military to compensate for its economic and political weakness.

We must take this Soviet situation into account in our policy. A policy of confrontation leads to a loss of the ability to manage crises. Such a policy cannot be justified in the nuclear age. A minimum of trust between the superpowers is necessary to be able to guarantee national security and to control conflicts.

Maintenance of world peace as well as looking after our own interests requires continuation of a policy combining adequate military strength with arms control and disarmament as well as East-West cooperation in economic, scientific, and cultural fields, just as the alliance had jointly decided many years ago.

12356

CSO: 3620/241

DEFENSE MINISTER REVEALS TOUGHER ANTISUBMARINE MEASURES

Stockholm SVENSKA DAGBLADET in Swedish 17 Apr 84 p 6

[Text] Denmark has strengthened the regulations governing how foreign submarines violating Danish waters will be treated.

Copenhagen--Defense Minister Hans Engell said on Monday that Danish Defense Forces can resort to armed force to compel an intruding submarine to come to the surface, even at the risk of sinking the submarine.

Defense Minister Engell referred to developments in Sweden following the report by the Antisubmarine Commission about violations of Swedish territorial waters.

"Recent developments have made it necessary to be clearer and more forceful in indicating our willingness to ensure our national integrity," said the defense minister, and added, "Current events in Sweden emphasize that need."

According to the existing regulations a foreign submarine in Danish waters will be forced to the surface without damaging it, and thereafter sent away. The new regulations, which give the defense forces the right to also damage the submarine, will become effective on 14 May, according to Danish Defense Minister Hans Engell.

9287

CSO: 3650/182

BUNDESWEHR FACES FISCAL, PLANNING PROBLEMS BY 1990S

Hamburg DIE ZEIT in German 30 Mar 84 p 7

[Article by Wolfgang Hoffmann: "Woerner's Next Crisis--The Minister Does Not Yet Know How He Is Going To Pay for His Planned Weapons"]

[Text] Manfred Woerner has survived his first scandal. But already new perils are confronting him--perils which cannot be gotten through by sounding a belated taps, by a "doffing of the helmet in prayer." If a serious mismanagement of umpteen billions in defense monies occurs, even Chancellor Kohl might no longer stand up for his minister Woerner. And many billions are in question: On the basis of the long-range planning for the Bundeswehr calculated over a period of 12 years, about 800 billion marks are involved. This is the total sum of the next 12 defense budgets whose structure must be decided on by the defense minister quite soon now.

Even Clausewitz had recognized that the guiding principle of the economy which refers to achieving the greatest possible benefit with the least means is a maxim for the army as well. This presupposes planning, management, and control of the procurement operation, with everything being a uniform whole. The Anglo-Saxons coined the term "controlling" for this. However, the history of the armaments sector of Hardthoehe [the West German Pentagon] reads more like a series of blunders. In the regular reports of the Federal Audit Office, a tale of very costly misplannings is given--from rusting submarines to crashing Starfighters. And an awful fate seems to be destined also for the expensive multipurpose combat aircraft "Tornado," which by now costs about 105 million marks--the unit price inclusive of spare parts, infrastructure, and developmental costs. Members of the Bonn defense committee have received information indicating that only 30 percent of these expensive airplanes are in commission while 70 percent have to be constantly serviced. It is to be hoped that these are only startup difficulties; because otherwise Woerner could eventually get tripped up over the same airplane which previously had nearly cost his predecessor his political career. At any rate the glaring shortcomings in planning and execution with the development of the Tornado program were the reason why Apel got that expert advice from outside which recommended that he introduce the controlling system.

Woerner brushed this advice aside. He had confidence in being able to lead his ministry even under the previous structural conditions. His fear: The

controller could become a sort of super-minister, while the true minister would become "a pitiful case, and the chief of staff would turn into a subordinate figure." The reality was otherwise: Controlling is nothing less but also nothing more than a comprehensive system of information, planning, and direction which promptly and completely informs the leadership of the ministry at all levels about deviations from projects in their financing and planning aspects.

There are many reasons for suspecting that Defense Minister Woerner pigeonholed for very opportunistic reasons the system favored by his predecessor. Woerner wanted to ingratiate himself immediately upon assuming office at the Hardthoehe. Thus he rejected the new organization because the majority of the civil servants balked at introducing the post of controller, with this opposition being headed by the staff council for civil servants, with its chairman Karl Helmut Schnell, an old Union-party adversary of SPD defense ministers. Then as a matter of fact he of all people was made the head of the armaments division by Woerner. The shaking of heads about this appointment is still going on. Not only does the lawyer Schnell lack the necessary prerequisites for this difficult management job. He is also controversial for personal reasons as well. In his more than 10 years of activity on the staff council for civil servants, but also previously as a fighter against corruption, he gained for himself in his department the reputation of being a gray eminence who was crafty and tricky above all in manipulating personnel affairs. This will not do for a minister who cannot afford any more slip-ups.

Manfred Woerner also eventually realized this. The fact that in the last analysis he nevertheless thinks quite highly of the idea of bringing industrial expertise into the ministry is shown not only by the futile effort to lure the former managing director of Gutehoffnungshuette, Manfred Lennings, to the post of appointed state secretary for armaments--which remained vacant for 18 months--but also by his most recent decision to appoint to this office the professor of business management, Manfred Timmermann of St. Gallen. "The challenge of the job and an interest in again organizing something myself" was decisive for Timmermann in accepting Woerner's offer. Is it a suicide mission? Yes, he has heard of that, but he does not shy away from it. Where Timmermann sees a solution was indicated by him in his maiden speech at St. Gallen in 1982: "Decentralization of the administrative units" and "the transformation of bureaucratic rules into business-management incentive structures." If Timmermann should realize both of these things in the defense ministry, this would amount to the reform of the century.

There has been no lack of attempts in the past. When he was defense minister, Helmut Schmidt had made the industrialist Mommsen the state secretary for armaments, but he obviously overestimated this man's successes in the implementation of modern management methods in administration. When Schmidt later signed on Apel as the defense minister and proudly pointed out that Mommsen had saved him billions, Apel is said to have simply asked: Marks or lire?

How difficult it is to run the defense ministry, how inadequate the control is, and how easily the minister can get into political difficulties is shown by the following course of events: Back in the time of Apel's ministry, development work on the new tactical combat airplane for the 1990's had been halted, with this move having the complete backing of the budget committee. Now it has come to light in committee that the Luftwaffe and the weapons concern of Messerschmitt-Boelkow-Blohm went forward on development over the heads of minister and parliament.

Woerner said recently about himself that each day he has to make five or six decisions; thus he also runs the danger of making five or six mistakes daily. This realization is right, but hitherto the conclusions have not been drawn. An example which is already the responsibility of Woerner: Although Porsche has already developed a light tank almost to the point of readiness for deployment (type designation: Weasel), the ministry engaged Mercedes to do a parallel development. Woerner either permitted this or did not notice this. Hans Apel on his successor: "He is so infatuated with the business angle, so fixated on it, that he cannot achieve any critical detachment from it." And even more clearly: "Woerner has systematically depleted leadership power in his ministry."

The consequences of the initial weakness in leadership are already appearing. For Woerner, there could be pitfalls. The shortage of personnel in the Bundeswehr to be expected in a few years, a consequence of the drop in the birth rate due to the "pill" in the 1960's, was ignored too long--by Woerner's predecessor as well. But the structure of the Bundeswehr, which in turn is oriented to NATO strategy, depends on a solution to this problem. Both of these things determine the future weaponry of the troops. But what is the situation here?

The generation of weapons ordered at the beginning of the 1970's will finally be delivered only at the end of the decade, when there will have been a contraction already of the troops--compared to their present structural level. At least another 30 billion marks must be paid for the weapons already ordered. But Manfred Woerner is also taking risks beyond these. He is one of the most zealous champions of a stronger conventional arming of the NATO armies. But this cannot be done with the present zero growth in the defense budget, but only by means of growth rates of possibly even 4 percent in real terms, such as are being preached, for example, by NATO commander in chief Rogers. And Manfred Woerner is already preparing the next general overhauling "without a thorough examination of what we can afford" (Apel) and likewise "without an understanding of the detailed troop strength, structure, and strategy for the 1990's" (Bundestag member Jungmann, FDP). Apel complains that once again they have started much too soon on the development of new battle tanks, aircraft, and ships. Bundestag member Jungmann has probed what the costs will be for Woerner's early setting of a new course: According to the plans so far, 25 billion for the new fighter aircraft (formerly the TKF 90), 25 billion marks for the armored combat units: "Two large weapons systems now cost as much as the general overhauling of the 1970's."

That is not all. Agreements have been made with France to develop an antitank helicopter (5 billion marks) and with America to develop the joint air defense in Europe (6.5 billion), new submarines are supposed to be built (1.5 billion), and again and again there is talk of a project for large ships (100 billion marks for the NATO countries involved). The defense minister is keeping the parliament waiting for the long overdue Bundeswehr planning, the essential critical path analysis for the future.

But FDP political figures concerned with defense such as Horst Jungmann and Walter Kolbow have an explanation for the hectic pace being seen in the general overhauling of the Bundeswehr. They say that the tactics of the military in regard to procurement have always been the same: It is merely necessary to carry the development of new systems far enough, past parliament and into the so-called definition phase. Once standards for the weapon and the weapon itself have been defined adequately, then the "point of no return" is reached--that point from which there is scarcely any going back. International cooperation on armaments can also help to overcome political objections to military procurement plans. That is, the greater the number of countries which are involved in a joint arms program, the more difficult it becomes to again pull out of the association. Moreover, cooperation is an attractive lure: It helps in the called-for NATO standardization, and theoretically it should also be much cheaper than a solo effort by a nation, because of the large numbers of units in production. But the European three-country airplane "Tornado" provides an example of the fact that this calculation does not always work out right. For the Bonn defense minister, that should be reason enough for caution.

The armaments planning for the 1990's will be Manfred Woerner's next problem. It could turn into his next crisis.

12114
CSO: 3620/252

EIGHT NEW MULTIPURPOSE FRIGATES TO BE BUILT

The Hague ALLE HENS in Dutch Jan 84 p 4-7

[Article by J. L. v. Z.: "Multipurpose Frigate to Replace Wolf and Van Speijk Classes"]

[Text] A total of eight "multipurpose frigates" are to be built for the Royal Navy to replace the six Wolf class frigates and, in a later stage, the Van Speijk class frigates. This information comes from the first status report on the contracts for M-frigates submitted in mid-December to the second [lower] house of parliament by the state secretary of materiel from the defense ministry, J. van Houwelingen. The new ships are to be delivered in the period 1988-1993.

In the initial stage, four of these ships are to be contracted for, with the option of a later order for another four. The Royal Navy's plans budget a total of 2.84 billion Dutch guilders over a period of ten years for the eight ships. Related investments in helicopters, the "Goalkeeper" air defense system, spare parts and ammunition are provided for in separate budget items as listed in the Defense Note. Ordering of the M-frigates is taking place sooner than originally anticipated. As the Defense Note also explains, the earlier order date turned out to be necessary in order to offer the Koninklijke Maatschappij De Schelde [KMS = Royal De Schelde Co.], formerly part of the RSV [expansion unknown] concern, prospects considered essential from the point of view of economic policies. Closely related is the retention--although in somewhat reduced measure--of employment opportunities in the firm and the region.

The M-frigate project can provide a significant number of jobs, according to the state secretary's letter of proposal. Since the number of manhours required for building the M-frigates will not reach total capacity of the shipyard until 1987, there is still considerable unutilized capacity, despite current orders for two air defense frigates. This problem will be partially resolved by contracts for a torpedo work ship and orders to finish a receiving ship whose construction had been interrupted. These projects will provide employment from 1984 through 1986.

According to the state secretary, this is the limit to what the defense ministry can contribute to helping solve the KMS' employment problems. The accelerated replacement of the Wolf class frigates has been linked to the replacement of the Van Speijk class frigates planned for the nineties in order to combine the interests of the shipbuilding industry with the needs of the Royal Navy as much as possible.

Advantages

The combination of the two projects offers advantages such as one-time development costs, standardization of various components of the ships and the ability to profit from the serial production and learning curve effects of a larger number of ships in one series. The combination of both types of frigate in one which is also suitable for the ocean offers a clear advantage for the operational deployment of the ships, since greater interchangeability will be achieved among the frigates in the escort groups. M-frigates are able to carry out all assignments both on the ocean and in the English Channel and on the North Sea.

Smaller frigates and corvettes are limited to such an extent by wind and sea conditions that such things as helicopter operations can only be carried out under favorable weather conditions. The state secretary intends to discuss the status report with the House in January in order to be able to award the contract to the KMS in February. The second house also received a second status report this month with details on prices, propulsion systems and weaponry. The negotiations on these matters were still underway in December. The second report also deals with employment opportunities, both at KMS and those resulting from direct and indirect compensation from orders placed abroad. In principle, such compensation will be related to the size and technological level of the orders.

Ship design and characteristics

The ship's design is based on the latest knowledge and experience in naval architecture. On the basis of scientific research at the Maritime Institute [MARIN] and a comparative study of characteristics of ultramodern ship types, an improved ship form has been developed. Similar research was conducted in collaboration with the American Navy. The shape of the hull chosen enables the ship to maintain high speed and to remain a relatively stable platform in rough weather with high waves so that weapons and sensors can be maximally utilized. Furthermore, the condition of the crew will be maintained at acceptable levels for a longer period than previously. Rocking of the ship will be reduced by a stabilizing mechanism. For the first time, "rudder-roll" stabilization will be used on a warship. This type of stabilization offers the important advantage of allowing the ship to maintain its speed better. Moreover, there are savings of space and costs. A calm ship is not only more pleasant for its occupants, but is also essential for carrying out missions and is decisive for operations with helicopters. As a naval weapon system, helicopters are important in long range combat of submarines. In addition to this primary task, the helicopter also plays an essential role within the fleet for reconnaissance, personnel transport, rescue operations and communication tasks. In order to be able to accommodate other NATO helicopters, which are usually larger, and future helicopters which are still in the development stage, the helicopter deck has been made large and strong enough and the hangar has the requisite dimensions and facilities.

Falkland conflict

Lessons from the Falkland conflict also have influenced the design. In this context, extensive discussions were held with the navy of the United Kingdom. Among other things, these talks led to the following measures:

--Reduction of smoke distribution in the ship in case of fire; for this purpose, the ship's ventilation system can be set up to separate various parts of the ship. Under closer scrutiny, lack of provision for this possibility turned out to be a significant reason that fires on ships could not be brought under control.

--Increase of fire safety by utilization of materials with a high ignition temperature and materials with heat insulating qualities, so that a fire cannot easily spread. For example, in the construction of the ship, no aluminum is used in vital parts or deck houses.

--Distribution of essential functions and sleeping accommodations throughout the ship. This is necessary to prevent a single hit in a vital portion from eliminating the entire ship. Various important elements are provided with a backup system.

Operational developments have led to measures which reduce the chance of being located. Among other things, special attention was paid to reducing underwater noise through insulation and low-noise propellers.

The radar reflecting surface of the ship has been greatly reduced, so that the ship is more difficult to distinguish from its surroundings for the radar of guided weapons and airplanes, especially in rough seas. Attention was also paid to limiting infrared radiation from the ship. The sensitivity of electromagnetic pulse [EMP] is low.

In the pre-design and design phases, Dutch industry and research institutes were involved early on in order to optimally satisfy the requirements and needs of the Royal Navy. The studies led to the design of a ship 114 meters long, 13 meters wide, with a standard displacement of about 2800 tons (cf. sketch with side and top views). The ship also has a reserve capacity of about 60 tons for possible later addition of facilities or for foreign purchasers who wish more extensive or heavier equipment.

Propulsion system

Considerations of fuel conservation and high reaction speed led to the choice of a combination of diesel motors and gas turbines for the propulsion system. This combination permits the ship to attain an economical speed of 20 knots using the diesel motors. If action requires, the gas turbines can be activated to increase the speed to about 30 knots. In peacetime, diesel propulsion will yield a significant savings in operating expenses. In many cases, the top speed with diesel motors is sufficient for carrying out exercises realistically.

the layout and equipment of the ship increase efficient operation through:

--Optimalization of the transportation of goods on board. This is achieved by placement of the loading positions for both in port and on sea supply such that cranes, elevators and short routes to the storage rooms are utilized; storage rooms are in turn located convenient to the places where the goods are to be used.

--Efficient feeding of personnel is achieved by situating storage, preparation and eating of food around the gallery.

Current automation technology permits many functions to be controlled and monitored remotely. Automation will be employed in systems monitoring, smoke and fire alarms, propulsion, weapons guidance and installations and in ship control management.

Weaponry

The greatest possibilities for the new frigate lie in the area of submarine combat. Nevertheless, it is also well armed for surface combat. For its task of submarine combat, the ship is equipped with a bow sonar and provision is made for later addition of a variable depth sonar. The ship will have a torpedo weapon system with four launching tubes as a submarine combat weapon. The ships will also be equipped with a helicopter. For surface combat, the ship will carry guided weapons. The frigate will also be equipped with a rapid fire cannon of a caliber yet to be chosen for sea and air targets.

Missiles launched from a long distance will present the greatest threat from the air. The ship's air defense is designed so that it will be able to combat various targets at different distances simultaneously. For this purpose, the ship will be equipped with air warning radars, electronic combat systems and optical sensors. Furthermore, a guided weapon system for aerial targets, a rapid fire cannon system which can be used against both air and sea targets and a Goalkeeper system will be placed on board. Regarding the choice of a guided weapons system, the decision-making process has not yet been concluded. The second status report will provide further details on this. The long range air warning radar is of the well tested type which is also in use on board the Standard frigates. The target tracking radar is intended especially to assign low-flying targets to the various firing systems. As a last resort, the fully automatic Goalkeeper system will come into action if all other means are unable to repel the attack.

Personnel

In planning the new M-frigates, the attempt has been made to reduce the crew by 25% as compared to the previous generation of ships. This has been achieved by simplification of ship maintenance, optimalization of transportation and greater efficiency in feeding the the crew.

The design assumes a crew of 137: 16 officers, including the commander, and 121 sailors. This also includes the helicopter crew and the on-board airplane crew. In addition, there are reserve sleeping accommodations for 15 persons for training or testing purposes.

For officers and sailors there are cabins for one, two, four, six and nine persons, depending on rank and function. The small numbers per cabin increase the privacy; they also permit crew providing round the clock service in rotation to enjoy sufficient rest.

The messes are also suitable for community recreational activities. Provisions for the crew are in accordance with the recently revised requirements for accommodations set in agreement with the various interest groups. Representatives of the personnel were involved in the design phase to evaluate the accommodations for resting and working situations. Research on this matter is being done by the Instituut voor Zintuigfysiologie [Institute of Perceptual Physiology] of the TNO [Dutch Central Organization for Applied Physical Research] and by Dutch industry.

Weapons control

In the government's opinion, the replacement of the Wolf and Van Speijk classes by M-frigates would not contribute to escalation of the arms race. There is no increase in the number of ships. Qualitatively, this represents an optimum adaptation of the ship's weaponry and equipment necessitated by recent technological developments of the Soviet Union's navy if the ships are to fulfil their purpose. Their task is a defensive one: protection of sea connections important to the Netherlands and NATO in times of crisis, danger of war and war.

In view of the size and intensity of a possible enemy action involving the maritime means as the disposal of the Warsaw pact, there can be no question of contributing to the arms race by replacing these ships.

Finally, the replacement of these ships is also part of the attempt to emphasize conventional military forces in order to reduce the dependence on nuclear weapons.

Chances for export

There is interest in the design of the M-frigate in other countries as well. After all, it is a type of frigate with a relatively small displacement which has a combat ability comparable to that of much larger ships. Consequently, cost effectiveness is high, including operating expenses. Crew and fuel costs are also lower. The high degree of automation makes control of the various mechanisms more effective. These various advantages strengthen the competitiveness of this ship.

Some countries have already expressed interest, but it is still too early to draw any conclusions. As it is currently planned, the ship could only be considered for export to countries in NATO or otherwise allied with the Western defense system.

STABILIZATION SUCCESS MAY OFFER HOPE FOR EC COORDINATION

Duesseldorf WIRTSCHAFTSWOCHE in German 24 Feb 84 pp 12-13

[Unattributed article: "Time to Act"]

[Text] The economy recovery provides benefits for ECU.
At any rate, the system has withstood some of its initial difficulties.

Times are good. The European economy is going through a slow but rather steady recovery and that makes it more likely that ECU will continue to exist.

In the early stages after its foundation on 13 March 1979, the currency organization which was set up to make for order on the European exchange markets was often faced by serious crises which in some instances even threatened its very existence. Seven currency realignments over the past 5 years have shown that medium-term stability in exchange rates is possible only if the member countries undergo at least fundamentally uniform economic development. But it is this very economic uniformity which has been missing thus far.

In the aftermath of the second round of oil price increases in 1979 the various governments had their hands full trying to steer their economies through the recession. The problems of the moment made them pay less attention to common European policies. But by now the worst seems to be over. Modest as the European economic recovery may be it is clearly under way now and makes it easier to concentrate on the oft-cited efforts to achieve convergence in European economic policies.

The average GNP growth rate of the European countries is expected to be just under 2 percent. Compared with the 5 percent rise in the United States and the 4.5 percent rise in Japan, this does not amount to a major economic achievement but it is a good deal more than in 1983 when the growth rate was only about half as great. But more important than the growth rate as such—at least in terms of reducing economic tensions among the various European nations—is the harmonization of rate of recovery. Last year, the difference in the growth rates among the seven ECU members countries was 3.5 percent; but this year (1984) it is only a little less than 2 percent.

To be sure, the gap between front-running FRG (which will register a growth rate of at least 2.5 percent) and tailight France (at 0.5 percent) will grow wider in 1984. At present, France is experiencing considerable difficulty getting out of its recession; but the French economy is in a position to benefit from the recovery experienced by its neighbors.

Many observers will probably view the dramatic pace of the Italian recovery as a minor miracle. The Italians, who have a long history of being able to deal with political ups and downs, are expected to achieve an economic growth rate of 1.5 percent this year according to the forecasters. Following on the heels of the rigorous economic diet of the past year, this would amount to a clean jump of 3 percent—a bigger jump than any of the other ECU countries.

Despite the scarcely promising, expected inflation rate of 12 percent the Italian lira displays surprising vitality just the same. Last week, the Rome government lowered the discount rate from 17 to 16 percent so as to disengage the lira from the upper ECU intervention limit.

Fewer imports and greater exports have balanced the Italian balance of goods and services and thereby freed the lira from pressure of devaluation. The expected recovery, however, will probably bring on an increase in imports and this in turn may make for a balance of trade deficit in 1984 once again. Which is why the Italian lira—in spite of its current strength—figures to be devalued in the course of the next ECU currency realignment which is expected to take place soon. This is a way of dealing with past history in the sense that the steady high inflation rate in Italy has by no means been adequately reflected in the ECU devaluations of the lira and for another thing, the international competitive position of Italian industry has been suffering.

Last week, the government tried once again to break the linkage between wage and price rises. Wage increases in 1984 are to be 3 percent below price increases. But whether this strategy will succeed in coping with inflation remains to be seen.

As before, there are considerable differences in the inflation rates of the various countries. As long as price trends in Europe do not become more uniform, frequent adjustments in ECU exchange rates will continue to be unavoidable. Nonetheless, there has been marked common progress in combating inflation. In addition, the gap between the highest and lowest price increases has grown smaller. Except for Italy, none of the member countries expects to be faced with double-digit inflation this year.

But despite these successes of stabilization policy in Europe, restrictions on monetary policy are only gradually being loosened. The whole world—including the EC countries—is still affected by high U.S. interest rates. The discount rates fixed by the national banks—which serve as a guideline for interest rates—still are extremely high almost everywhere.

High nominal and real interest rates have hampered investment in 1984 as in years past. Investment activity is still depressed although the decline is not only slowing down but has in some countries been halted altogether. Italy, for example, predicts no change in investment this year—which is a distinct turnabout as against the 9 percent drop last year. But the official Italian investment goal of 4 percent may well turn out to be too ambitious. Predicting a 2 percent rise in investments, the Dutch economy looks rather good and the FRG is even hoping for an increase of 8 to 9 percent in total capital investments.

The DM, in the meantime, has once more been enjoying greater popularity on the currency markets. No sooner had the dollar begun to show some signs of weakness after its most recent spectacular rise than the DM reassumed its traditional role of being a likely ECU candidate for revaluation.

As little as the DM-U.S. Dollar exchange rate has been guided by basic economic facts, the ECU currency realignments have invariably been guided both by the differences in the inflation rate and the export strength of the various economies. The DM and the Dutch guilder have been revalued on a number of occasions; the Belgian and French franc, the Italian lira as well as the Irish pound have been devalued.

More than anything else, it is trade deficits or surpluses which determine what kind of a reputation a currency enjoys in foreign countries. In the recent past, export trends among the ECU member nations have clearly become more uniform. France has succeeded in reducing its foreign trade deficit; last year, it dropped to less than 50 billion francs.

Domestic recession caused imports to decline by 2 percent in 1983 and no increase in imports is expected for 1984. The steady rise in exports warrants the assumption that France may be able to balance its current account this year.

Italy, too, is in the process of getting its trade balance in order and both Denmark and Ireland expect to reduce their trade deficits further. Both the FRG and the Netherlands will probably register foreign trade surpluses in 1984. Present estimates are that they will be in the vicinity of DM 15 billion and 15 billion guilders respectively.

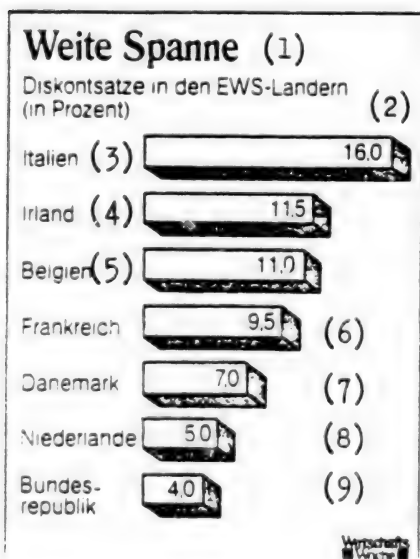
The OECD report due out within the next few days even goes so far as to credit the Netherlands with "substantial advances in its world competitive position." The organization expects price-adjusted Dutch exports to rise by a solid 5.3 percent this year. In 1983, exports increased by more than 3 percent and in 1982, they declined by just under one percent. Since imports in 1983 and 1984 have been rising at a slower rate than exports, there is every reason to expect a strong trade surplus. 1983 estimates are \$ 4.5 billion and estimates for 1984 are \$ 6.5 billion. Indications therefore are that the Dutch guilder may be revalued once again. In the course of the last previous realignment in March 1983 it was revalued by

3.5 percent. On that same occasion, the DM was revalued by 5.5 percent and the Danish crown by 2.5 percent.

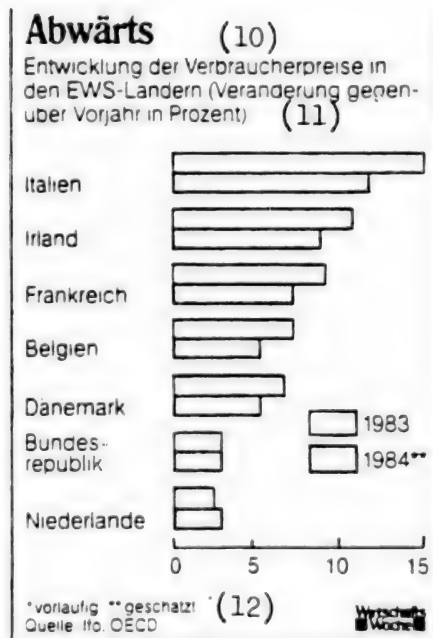
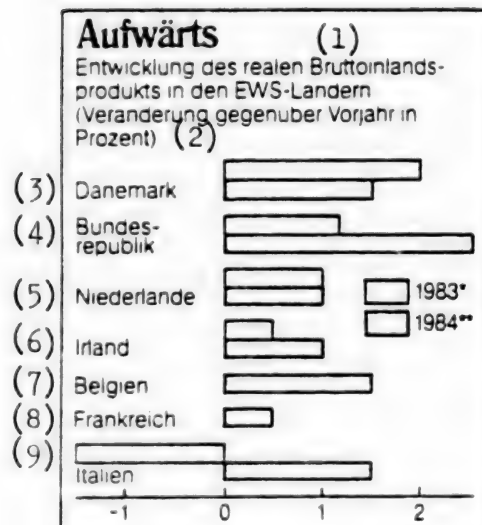
In spite of the recovery, unemployment in the Netherlands is still rising. In 1983, the unemployment rate had already reached 13.7 percent; the OECD believes it will climb to 15.9 percent in 1984. Along with Belgium and Ireland, the Netherlands are at the top of the list in European unemployment.

Under the circumstances, unemployment continues to be one of the most pressing problems in Europe. The European nations must realize that growth, while accelerating structural change, does not automatically create acceptable levels of employment. For another thing, the long recession has adversely affected the capability to create new jobs.

The incipient harmonization of economic trends in Europe does provide an opportunity now to define common problems and to make more of a common effort to deal with them than has been the case previously. At last week's OECD meeting in Paris, Minister for Economics Otto Graf Lambsdorff once more stressed the close interrelationship of the world economy. "We must work out an economic policy," he said, "which takes the world economic picture more into account than before and, in the process, make a conscious effort to limit autonomously oriented policies." Now if this applies to the 24 OECD member nations, how much greater is the need to arrive at a coordinated economic policy among the handful of EC countries? Quite obviously, the best time to act is during a phase of comparative economic recovery.



- Key:
1. Wide gap
 2. ECU member state discount rates (in percent)
 3. Italy
 4. Ireland
 5. Belgium
 6. France
 7. Denmark
 8. Netherlands
 9. FRG



Key:

1. Up
2. Statistical real GNP trends in ECU member countries (percent change as against preceding year)
3. Denmark
4. FRG
5. Netherlands
6. Ireland
7. Belgium
8. France
9. Italy
10. Down
11. Consumer price trends in ECU member countries (percent change as against preceding year)
12. * Preliminary; ** estimated; Source: OECD

9478

CSO: 3620/237

EUROPEAN CURRENCY FUND, CENTRAL BANK SEEN AS POSSIBILITIES

Duesseldorf WIRTSCHAFTSWOCHE in German 9 Mar 84 pp 78-79

[Unattributed article: "ECU Better Than Its Reputation"]

[Text] On 13 March, the European Currency System will celebrate its fifth anniversary. On balance, the positive results predominate.

When Helmut Schmidt and Valery Giscard d'Estaing first presented their plans for a European Currency System (ECU) at the Bremen summit in July 1978, almost all the experts thought that this new system would not last very long.

At first, however, things were far less dramatic than had been expected. This was due primarily to the fact that the DM, surprisingly enough, was among the weak currencies of the system during the initial phase between 1979 and 1980. During that period, the member countries had no reason to consider revaluing the DM because of the sizable balance of goods and services deficit of the FRG and the comparatively favorable foreign trade position enjoyed by France and Italy. In fact, the Bundesbank was forced to intervene repeatedly on behalf of the weak German mark. In that sense, the foreign trade burden to which the entire EC area was being subjected as a result of the second major round of oil price increases turned out to be an unexpected crutch for the ECU which, during the first 2½ years of its existence, came to correspond to the ideal envisaged by its founders: a "stable currency zone in Europe."

The era of relatively stable exchange rates came to an end in the fall of 1979. The FRG's balance of goods and services began to improve. The other member countries (with the exception of the Netherlands) ran into increasing domestic cost pressure as compared to the FRG. These countries also began to show less of an inclination to improve their international competitive position by adopting measures to achieve domestic stabilization. This was the case most of all in France under its new president, Francois Mitterand, elected in 1981. Thus, the first major realignment of exchange rates within the system was undertaken in October 1981. For the participating countries this was proof that the ECU was not conceived as a system of unalterable exchange rates but a level-by-level, flexible system which is able to live with periodic revaluations and devaluations. This became even clearer in the course of the major realignments on 14 June 1982 and 21 March 1983. The next realignment, for that matter, is just a question

of days or weeks. The most recent turnaround in the DM-U.S. Dollar exchange rate would seem to be an indication of that. In the past, this invariably preceded a DM revaluation within the ECU.

But the balance sheet of the past 5 years looks very good. The ups and downs in exchange rates within the ECU—the abovementioned realignments to the contrary notwithstanding—have been far less violent than the erratic course of the DM-U.S. Dollar exchange rate between 1979 and 1984. In this sense, it is a great achievement of ECU to have substantially stabilized the expectations of its members with the help of its unlimited obligation to intervene.

Over the short term—for a 12-month period between realignments—the member countries know that the exchange rates will under all circumstances stay within the spread marked by the points of intervention.

Over the medium term, they can at least tell the general trend of the shift in exchange rates. No one has any doubt but that the DM will be revalued and not devalued should a realignment take place in the spring of 1984. The short-term stability of exchange rate levels and the medium-term stability of exchange rate trends thus contribute to creating calculable exchange rates to guide investors and manufacturers doing business in the ECU area.

From the German point of view, one benefit accruing to the FRG from ECU operations is the fact that the Bundesbank has thus far not been hampered in its efforts to maintain stable price levels. Other than in the past, the Bundesbank has been able to stay within its money supply goals between 1979 and today. For another thing, the so-called "direct international price nexus," which is a second transfer-of-inflation mechanism, which can become operative under fixed exchange rates even in the absence of central bank intervention did not turn out to be a threat for the FRG. The repeated revaluation of the DM saw to it that the FRG was spared that particular type of imported inflation as well.

But that brings us to the main point of criticism of the ECU. A fixed exchange rate system depends on the consensus of the participating countries. Such a common approach has been absent among the ECU countries so far. This is already evident in the matter of fiscal policy. Total new public debt in France and in the FRG stood at 3 and 3.5 percent of GNP respectively in 1983. In Belgium and Ireland, the deficit for the same period stood at about 12 percent in each case.

Another indication of the lack of consensus on economic policy of the ECU countries is the oft-cited substantial difference in the rate of inflation. But one should beware of referring to this as a cause all its own. The example of the French franc-DM exchange rate shows that the rate realignments between 1981 and 1983 played a major role in making for substantially divergent inflation rates in the two countries. Seen in this light, the

differences in inflation rates are but a reflection of a lack of willingness on the part of individual countries to accept the necessity of adjusting to unchanged exchange rates. This brings up a second major drawback of the system. Quite often, the smooth operation of the system was only made possible over the past 5 years by the fact that some member countries were able to prevent a "selloff" of their currency by introducing drastic controls on capital flow. The currency restrictions imposed on French travelers in the spring of 1983 were a frightening example of this.

Against this somber background, one cannot see a European currency fund, much less a European central bank developing out of the ECU in the foreseeable future. It will probably be difficult enough to preserve for the future what has already been achieved. Despite all the criticism, this does seem a worthwhile undertaking particularly if one considers how the ECU countries would have fared during the past 5 years, if the exchange rates of their various currencies had exclusively been subject to the vagaries of the marketplace.

Anpassungszug (1)							
(2) Aufwertungen der Deutschen Mark im EWS gegenüber den Partnerwährungen (Veränderung des Leitkurses in Prozent)							
	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Zeit		Dänische Krone		Holländischer Gulden		Italienische Lira	Geometrisch gewichteter Durchschnitt
24. September 1979		5,0		2,0		2,0	2,2
30. November 1979		5,0		-		-	0,2
23. März 1981		-		-		6,4	2,2
5. Oktober 1981		5,5		-		8,8	5,6
22. Februar 1982		3,1		-		-	1,9
14. Juni 1982		4,3		-		7,2	3,5
21. März 1983		2,9		1,9		8,2	3,5
(10) Kumulativ seit Beginn des EWS		28,7		4,0		36,9	24,0
(11)	* Geometrisch gemittelt mit Außenhandelsumsätzen (Ausfuhr plus Einfuhr) der Jahre 1978 bis 1980 Quelle: Deutsche Bundesbank, Geschäftsbericht 1982						

Key:

1. Realignment trends
2. DM revaluation against other ECU currencies (percentage change of exchange rate)
3. Belgian and Luxembourg franc
4. Danish crown
5. French franc
6. Dutch guilder
7. Irish pound
8. Italian lira
9. Weighted average
10. Cumulative since foundation of ECU
11. * Geometrically averaged with foreign trade turnover (exports and imports) from 1978 to 1980. Source: German Bundesbank, annual report 1982

9478

CSO: 3620/237

ECU PROVES SUCCESS DESPITE FALTERING EC ECONOMIC POLICIES

Hamburg DIE ZEIT in German 16 Mar 84 p 29

[Article by Rudolf Herlt: "Successes in Survival Training"]

[Text] This year, the crocuses will probably be coming out sooner than the realignment of the European Currency System (ECU). Pessimists had already wagered that the realignment would occur before the crocuses came out. After all, ever since 1981 the adjustments were always made either in February or March. But this year, the ECU has been pretty stable, at least for the time being and is thereby fulfilling the heartfelt wishes of its founders for the first time in its 5-year history.

The founders of the ECU were the then French President, Valéry Giscard d'Estaing and the then German Chancellor, Helmut Schmidt. They were intent on creating an internal and external zone of stability as they looked for a European response to the disquieting weakness of the dollar in 1978. The German mark was supposed not to go climbing all by itself, thereby ruining the entire German export trade. The French franc, the Belgian franc, the Italian lira, the Dutch guilder, the Danish crown and the Irish pound were all assigned firm exchange rates and tied to the German mark. The hope was that the German mark would pull the other currencies up whenever the dollar weakened.

To be sure, this fond dream did not become reality. Because the individual currencies developed in very different ways due to historical factors and economic policies, there was tension within the ECU every time the dollar lost ground. Seven times, adjustments in the exchange rates helped relieve those tensions. Only four of the seven adjustments were major realignments which affected several currencies.

In the process, the German mark was revalued by 24 percent as against the other currencies. Measured against the goal of stable exchange rates, that is quite a lot. But this revaluation was spaced over 4 years, starting with the foundation of ECU in March 1979 up to the last previous realignment which took place on 21 March 1983. Compared to the decline against the dollar (which amounted to 60 percent since 1980) and other currencies with flexible exchange rates, the shifts within the ECU itself were rather slight.

Is it a zone of stability after all then? To the outside, yes. About 50 percent of the German export trade is destined for member countries. The firm exchange rates have made trade with these countries easier. Moderate adjustments in exchange rates taking place one year apart were easier to deal with by the German economy than the hectic and unpredictable swings in markets subject to flexible exchange rates. Since the ECU adjustments were always made too late, the German economy in most instances profited from a DM exchange rate which was kept down longer than was justified.

But in the case of the last two realignments in 1982 and 1983 the Bonn government gave way to French pressure all too willingly. The DM revaluations in June 1982 and March 1983 went beyond the scope indicated by the rate of inflation. This German concession is part of the reason why the drop in the dollar exchange rate over the past weeks has not forced the ECU to institute still another realignment. But currency traders believe that the next realignment will come before the stream of vacationers descends on the weak currency countries such as Italy and France.

Within the float, which allows for deviations of up to 2.25 percent, the picture at present is somewhat unfamiliar. To be sure, the DM and the Dutch guilder still are the strongest currencies; but the French franc, which has triggered realignments in the past, is close behind these two. The fact is that France's foreign trade position has improved considerably. In spite of the recent rise in the discount rate, the Belgian franc is still doing poorly although it does not require constant support. Ironically enough, the Italian lira, as always, is the strongest ECU currency of all; but its exchange rate is not an indication of robust health. The lira profits from the width of its particular float which at 6 percent is twice as wide as that of the other currencies—as a result of a concession made to the Italians when the ECU was founded.

The first 5 years in the life of the ECU have not turned the system into a bulwark against destabilizing influences or a zone of internal monetary stability. To do that, would have required a harmonization of monetary, budgetary and wage policy based on a willingness to construct a joint economic policy. But this type of consensus has yet to be achieved in Europe. On the other hand, the doomsday prospect envisioned by many critics that the strong currency nations would drown in a sea of inflation has not come to pass either.

Anyone who does not ask for the impossible must admit that there has been some progress along the way toward internal stability. Without a doubt, the ECU has had a disciplining influence on the weak currency countries. Belgium and Denmark and France, too, since the fall of 1982 have adopted some tough economic policy measures in conjunction with jointly agreed upon realignments while reaffirming their intention of remaining part of the system. The governments of these member countries had an easier time implementing the stabilizing measures which had become necessary for domestic reasons by pointing to the need for solidarity within ECU.

The EC economic and finance ministers are not at all wrong in singing the praises of ECU, saying that the organization has achieved its main goal during the 5 years of its existence. Cooperation on monetary policy has grown closer [they say] and the ups and downs in the exchange rates have not been too violent.

To be sure, not all the dreams its founders had have come true; but the achievements have been greater than those predicted by the critics in 1979. The economists in particular were quite certain at the time that the ECU would hold up for 6 months and would then collapse. What is the secret of the survival strength of a currency system which can count neither on uniformly low inflation rates, nor on fixed exchange rates? Claus Koehler of the German Bundesbank directorate explains it this way: "It has stabilized expectations." The economy no longer expects constant hectic ups and downs to occur. But the same can certainly not be said about the DM-U.S. Dollar exchange rate.

But there is no unanimity when it comes to assessing the future of the ECU. The Market Economy Foundation says the ECU makes no sense and recommends that it be scrapped because of its potential for disturbing [the marketplace]. The Brussels Commission, on the other hand, would like to see the participating governments take the next step—projected by the ECU founders after a 2-year start-up phase but thus far always postponed.

That next step would consist in turning monetary policy over to the European Fund which would thereby be transformed into a kind of fledgling European central bank which would be the ultimate recipient of the foreign exchange reserves of the member countries. But as long as these countries do not march to the same drummer in terms of stability policy (with the current inflation rate amounting to 3 percent in the FRG; to 9.6 percent in France; 14.6 percent in Italy and 7.7 percent in Belgium) the price to be paid for that second step envisioned by the ECU founders would be too high. The Bundesbank would forfeit its independence and whether a European super central bank which would be required to issue ECU currency units in exchange for the currency reserves deposited with it would be as conscious of the need for stability as the Bundesbank now is—all that is extremely doubtful given the experiences that have been made in connection with efforts to arrive at a common EC economic policy.

Before plunging into the second phase adventure, the member governments would do well to consolidate the first. There are far too many special arrangements which tend to distort the underlying purpose of the ECU which is to provide for discipline in exchange rates and free movement of money and capital. These arrangements tend to keep the member governments from assuming uniform obligations on currency policy. In addition, not all governments have created the conditions necessary for a free exchange of money and capital. The Belgians, for example, are still operating under a split exchange rate—one for capital movement and one for trade. The French continue to cling to their foreign currency controls. The Italians, who

promised gradually to reduce their overly broad 6-percent spread to the uniform level have not even made a try to do so. The British are the only big-size EC member which still stands aside. The British pound has been made a part of the basket of currencies which determines European currency unit value but thus far London has not been taking part in the foreign exchange organization. It is now time that Great Britain became a member.

To do away with these weaknesses quickly would be worth the effort. Winding up the first phase would be a greater achievement than a hasty transition into the second—which would certainly miscarry. The fact is it would prove that the Europeans are not yet able to conduct a common currency and economic policy. As the very last few days have amply shown, they are not even able to agree on a common agricultural policy.

9478

CSO: 3620/237

UNEMPLOYMENT STATISTICS FOR LATE 1983

Nicosia KHARAVGI in Greek 3 Apr 84 p 5

/Text/ The Labor Statistics Bulletin of November 1983 reports that as of the end of November 1983 there were a total of 7,498 unemployed persons registered with unemployment offices, compared to 7,881 in October and 6,775 in November 1982.

The primary developments in November were as follows:

Employment in the field of agriculture during the first 6 months of 1983 came to 163,696 persons, compared to 159,021 during the corresponding period of 1982, i.e. there was a 2.9 percent increase.

Increases in employment were also noted in banking, insurance and real estate (8.8 percent), business, hotels, restaurants (5.6 percent), services (4.4 percent) and construction (1.4 percent). Decreases were noted in mining and quarries (2 percent). Little change was noted in employment in such sectors as processing, electricity, liquid gas and water supply, transportation and communications.

Vacant positions announced by labor offices in November came to 999, compared to 1,002 the previous month and 755 in November 1982. Vacant positions announced in the press and the GOVERNMENT GAZETTE came to 749 compared to 1,028 in October and 1,042 in November 1982.

Local labor offices placed 383 persons in jobs compared to 510 in October and 333 in November 1982. At the end of November 1983, there were 1,015 unfilled positions compared to 965 in October and 637 in November 1982.

The number of port workers employed in the primary ports of the island came to 297 in November compared to 237 in October and 344 in November 1982.

The number of persons employed in government divisions came to 27,920 in November compared to 28,091 in October and 27,716 in November 1982.

The number of Cypriots employed abroad on a temporary basis came to 10,821 in September, compared to 10,713 in June and 10,863 in September 1982.

5671

CSO: 3521/231

FRENCH FIRM CONDUCTING CHROME SURVEYS

Nicosia KHARAVGI in Greek 6 Apr 84 pp 1, 9

/Excerpts/ The French firm BRGM /Bureau of Geological and Mining Exploration/ that is conducting geological surveys in Cyprus is creating some hopes for strengthening this important sector of the economy that has slackened over the past few years.

Spokesmen concerned with geological survey matters express the opinion that the semi-state firm BRGM, that has been conducting surveys in Cyprus since 1979, has found cupriferous iron pyrites as well as chrome. At the present state the studies will be extended to other regions of the country (P. Khrysokhous Lake, Koutrafas, Vyzakia and Agia Marina Xyliafou) covering an area of 12 square miles, an area that will be decreased to 6 miles after a period of 2 years. For the 4-year study period, the French firm will put up a total of 280,000 pounds. The agreement that was signed the day before yesterday by Minister of Commerce Andreou and Mr R. Dietrich, director of the firm in Europe, proposes that in case of future exploitation the participation rights are set at 60 percent for the state and 40 percent for the company.

At the same time, a representative of a foreign firm is presently in Cyprus to be briefed on the results of the geological surveys on chrome that have been completed and to prepare a technical and economic study. If the chrome deposits are deemed economically workable, then a BRGM affiliate will be called on to undertake the project. It is believed that the technical and economic study will be ready in 4-5 months.

The French firm has conducted its studies in the Troodos area (at the site where the EME /Hellenic Mines Corporation/ mine was located) and it is believed that the results of the studies are encouraging.

The last 12 years --up to 1982 when the EME mine was closed down -- the following amounts of chrome were exported:

1970	31,000 tons	1977	14,000 tons
1971	41,000 tons	1978	10,000 tons
1972	23,000 tons	1979	12,000 tons
1973	30,000 tons	1980	7,000 tons
1974	30,000 tons	1981	10,000 tons
1975	25,000 tons	1982	12,000 tons
1976	14,000 tons	1983	11,000 tons

The price of the ore has fluctuated from 50 to 60 pounds per ton. Thus, revenues for the state from the export of chrome were significant, while some 200 persons were employed at the mine.

With regard to the new studies by the French firm on cupriferous iron pyrites in areas where EME had concessions, they will be conducted at Skouriotissa where a mine is now being worked, at Apliki and at Veravasa. With regard to BRGM-EME agreements, it is believed that the same conditions prevailing in the BRGM-government agreement will also prevail.

According to statistical data, the cupriferous iron pyrites constitute one more noteworthy ore for Cyprus economically speaking. In 1981, 500 tons were mined, 1,500 tons in 1982, 2,100 tons in 1983 and it is estimated that 3,000 tons will be mined in 1984.

A total of 500,000 pounds were brought in from the export of 2,000 tons in 1983, while it is estimated that 1 million pounds will be brought in this year.

5671

CSO: 3521/231

ARSENIS INTERVIEWED ON NATIONAL ECONOMIC POLICY

Athens OIKONOMIKOS TAKHYDROMOS in Greek Nos 1558-1559, 15, 22 Mar 84

/Interview with National Economy Minister Gerasimos Arsenis by OIKONOMIKOS TAKHYDROMOS Publisher Giannis Marinos/

/22 March 84 pp 4-7/

/Text/ The interview started 2 days before we left New York /for Greece/, that is, after Arsenis had almost completed his contacts with the economic circles in the center of world capitalism. I started with the observation that what the minister was saying there, and especially in his speech to the Greek-Americans in Astoria, New York, was further clarification of the economic ideology and of the means and processes which define the course of what is called the "third road to socialism." I asked the minister to comment on my observation. Here is what he replied:

ARSENIS: This is how I see it. We are going through a critical period in Greece during which our ideas on the model to be followed for economic development will be worked out and solidified. Although this was not part of the program for our New York visit, precisely because we had to take a position on specific questions we had to spell out our views on questions in which the government did not appear to be very clear, at least abroad. Of course, we have significant events coming up in 1984: the PASOK Congress in May, in which certain views will be clarified, and the Euroelections which--although they refer to EEC questions--will give PASOK, as well as the other parties, the opportunity to clarify their theses on the major issues.

MARINOS: In other words, the trip to New York gave the government the opportunity to clarify its views to those abroad, but, I would add, to those in Greece as well.

ARSENIS: This is true. I don't think what we said here in New York signifies a change in the government's economic policies, but with the discussions we had in the U.S. we were moved to present more coherently the particular aspects of our economic policy and in this way come up with a more coherent picture of our policy. One issue we faced here, which we had not faced systematically in Athens where the daily problems are different, is the meaning of Greek socialism, what sort of an animal it is, how does it compare

with other models of socialism tried in the past or being applied now (as in China), and what is the relationship of this socialism with the international economic climate, the forces of the market place and the individual enterprise.

MARINOS: Did you clarify these questions? I saw in your speech in Astoria, that it is a happy coincidence in the recent speech by Papandreou to the PASOK cadres, a great deal about this issue of "clarification". Yet there is already a phrase which raises questions. This phrase is: "during the course of the socialist transformation there will be a system of mixed economy." Private initiative and state initiative work together; at the same time foreign investors are invited to participate. The question is, if at the end of the course to socialist transformation a mixed economy will continue to exist.

ARSENIS: Yes. This is more of a philosophical question. It has been raised throughout the time by the philosophers of social systems and it has also interested the practitioners and to a lesser extent the politicians. Because when we think philosophically about the course to socialist transformation we consider the time not in years but in decades. The passing of a society from a market oriented economy to a system of classless socialism is something which is not defined in a specific time frame, but which in any event involves a course of many decades.

MARINOS: Do you see the mixed economy in the context of the world economic system? Do you see it in isolation? In other words /can you see/, Greece moving toward socialism with no regard to the international economic reality and the other dominant systems (capitalism and state economies)?

ARSENIS: This is precisely the problem. For a small and open society and economy such as the Greek, the pace of moving toward a socialist system depends not only on the domestic developments but also on the international economic and political situation. As long as we have on a worldwide basis a system based on the rules of the market, on competition, and on mixed economic systems, the small and open economy must take into account by necessity the existence of those forces and shape the internal developments accordingly. This has serious repercussions on the economic program which must condition on one side the long-term socialist targets and on the other the viability of the economic development plan.

MARINOS: It may be useful to say that the world economic system, regardless if it is divided into separate groups such as the group of the Soviet-type socialist and other types, in effect operates under the rules of the market. In other words, it is obligated to function under the impact and in line with the forces of the market. I believe this has been recognized since the time of Lenin. This question still remains. On the contrary, the tendency today seems to take this into account more than ever before. The late Yugoslav leader, the Bulgarian Premier Philipov, and other East European leaders (especially in Hungary) have taken into account the requirements

imposed by the rules of the market.

ARSENIS: I think this is correct. Personally, I would use the term "rules of the market" differently. I would say that the competition to conquer the world market has become more intense and more ruthless in the last few years. This competition involves not only factors relating to prices, the competitiveness of the market, but also diplomatic factors and direct or indirect support from the state mechanism itself. In other words, the plan for promoting a country's exports, whether it is socialist or capitalist, has strong elements of participation or of subsidy by the government.

For example, whether France will be able to expand its exports through its public or private companies will depend in large measure on the cooperation and support these export enterprises will receive from the government. We have the following phenomenon: A tendency to minimize competition and to have a closer interdependence and cooperation between the government and the private enterprises domestically to improve their competitive ability abroad, and another tendency on the international level for a ruthless competition among nations, based on a domestic alliance between the private sector and the state machinery. In other words, we move toward a period of competition at the international level with the main protagonists the nations themselves. As a result, the rules of the market are not determined by objective economic factors but by the relative strength of government on the international level and by the balance of power between the state machinery and the private sector within each nation.

How to Become More Competitive

MARINOS: I think you are right in your observations about the intensity of competition, which I believe is the product of the economic crisis in the last few years. The economic difficulties facing the various countries make them more aggressive in order to overcome the problems which arise in their national area. This shows how difficult the situation will be for the Greek economy which has not overcome the problems of the first developmental phase, which I think were not negligible.

This is an open economy, it is small, it has limited potential, it has many products which are not adjusted to the requirements of the international market, its products which not only in terms of price but also in terms of their nature do not have strong demand. There are farm products of limited consumption (currants, tobacco and the like) which we try to sell in many ways through government connections and arrangements. (At some point we must look into this also.)

Therefore, the problem is very simple and very stark for Greece. According to a view expressed for some time by OIKONOMIKOS TAKHYDROMOS, every thought, every action of all social factors (state, the production factors, the workers and employees, everyone, including the economic theorists) will have to have as the starting point for every initiative how to avoid the further worsening of the competitiveness of the Greek economy. But this is not

enough. Side by side there must be an effort to gain better positions in international competition. I assume this approach is sound because the alternative is to close down our economy, impose high tariff walls, quotas, barriers--which no other country has done except possibly Albania, if I am not mistaken. Such a policy would cost dearly to the Greek people and their prosperity. Therefore, we must have an open economy, and we must keep in mind that to survive as an open economy we must become internationally competitive. I consider as a golden rule for a sound economic policy or decisions by all economic participants that every measure, every decision, must not adversely affect the competitiveness of the Greek economy, and even better it should be based on what helps the Greek competitiveness. If a measure is not helpful it should be postponed or abandoned. How do you feel about this view?

ARSENIS: Personally, I believe we will raise significantly the level of discussion on our national issues if all of us agreed--as I think we should--that the basis of our thinking must be what you just said. In other words, that for a small and open economy such as that of Greece, any political-ideological system we have in mind must provide a solution to the competitiveness of our economy which, whether we like it or not, must live in a relatively hostile environment if not in the next two decades at least in the decade of the 1980s. The ideological and political differences among the parties should refer not so much to what we hope to achieve but to the methods we use to promote the competitiveness of the Greek economy in this hostile international environment.

MARINOS: If this is true, and I think it is, at least for those who study with some care the economy and are not guided by their wishes or sentimentalism and ideological preferences, we must be realistic. Anyway, I think the state initiative and the private initiative should work hand in hand for a common target as is clearly shown in the preliminary documents of the 5-year plan and the statements of the premier, yourself, and all those who have responsibilities in the economic sector. The areas of priority can be determined for both the private and state sectors. M

But once this is done, don't you think it would be useful to stop this controversy that the public sector is the one that is advantageous to the national economy and the people, or that it is the private sector which is more beneficial as the neoliberals claim? I have some experience with the new industrial states of the Far East (you know them) where such a dilemma does not exist. There the private enterprise and the state initiative work on equal terms, without ideological antagonism. They have no problem of conscience. They cooperate, seek common goals and the results are very positive. I believe this is a false dilemma.

You said to the Greek-Americans in Astoria that there is a constant reference to a past of many years, to an obsolete type of economy while the present dictates other approaches. These approaches, which you are trying to implement--I hope successfully--in any event a new model which will eliminate the

verified, established weaknesses of the state-run economic model which, no doubt, has low productivity, without the virtues or positive elements of the private enterprise, of the personal incentive, of the human incentive, side by side with the government case, which must take into account the national interest of the entire nation, of the wide popular strata, not of a specific person.

There is No Room for Daydreaming

ARSENIS: Look, it is often said that generals prepare for the next war with the technology of the past. We can say that the economists today have the same tendency dealing with the economic problems of the 1980s using the models of past epochs which cannot deal realistically with the problems of our contemporary economy. As human beings it is possible we find some satisfaction under emotional flags, joining or identifying moves or movements under those obsolete flags. But the problem we face today leaves no room for such sentimentalism and daydreaming. We must realistically see what we want to do and how we'll achieve it.

What we want to do, we think, is clear. We want to create a just society, we want to have conditions for a just distribution of the product of labor. We want to achieve these objectives by deepening the democratic processes at all levels of social and economic functioning. For us democracy is not merely the correct functioning of the parliament. Democracy means that the citizen is able to act in a democratic framework during all stages of production. It is in this context we want to encourage the initiative of the Greek citizen, to develop his powers to the fullest under conditions which will assure the harmonious realization of his own objectives with the goals of national development. This point is particularly important for us because it differentiates us from other models of development and socialist transformation.

What is of interest to us is not who has ownership of the means of production. What is important is that all the factors, the means of production, are organized in a way which, first, assures democratic processes, second, it is in harmony with the overall economic and social targets of the nation, and third, it creates objective conditions, incentives to maximize the activity and the initiative of the Greek citizen.

MARINOS: Do you think this has been presented clearly? Has this been understood by the social participants? One might say that this is a new pronouncement that the class struggle will be suspended and a challenge for joint cooperation with this goal.

ARSENIS: I don't think we say something new with this presentation. It exists in the preliminary documents of the 5-year plan which have been approved by the Chamber of Deputies. The processes I describe do not abolish the classes or the class struggle but they place these processes within a framework which is both democratic and creative. It is true that this position,

which becomes more specific, more clear from the experience we gain from managing the national economy, has not been fully understood by all social factors and all social classes. There is no doubt that from the government's standpoint our plan, our position on basic issues must be the subject of a more coordinated and detailed information and clarification for the Greek people. I hope on the occasion of the drafting of the 5-year plan in the next 2 or 3 months we will have the opportunity at home and regional levels but also through an open dialogue to clear exactly what the government is trying to achieve and which is the development model we push forward.

The Public Sector Must Become An Example

MARINOS: This is a general presentation which is comprehensive but somewhat indefinite. The only way the information can reach the lower-income strata (because if it does not the scheme will not work) is it must be approachable and understandable. And since the days Christ taught with parables the best way is the example. If we take one unit, a productive unit, an industrial enterprise, for example, where the clash of the social participants in the common effort is evident, I have the feeling (which I think is objective) that on one side the entrepreneur is struggling to make more profit, especially at this point in time when to make a profit is a difficult matter and on the other the employees who have in mind a theoretical view which presents them as a subject of exploitation are fighting to extract as many economic benefits as they can and to reduce as much as possible their contribution in terms of work time, leaves of absence, and intensity of their productive effort. The result is that we do not move toward the desired level of productivity.

In my view, it is necessary to underline that the profit is a necessary element for the survival not only of the private enterprises but of the entire economy. It must also be said that a deficit budget is a negative element. I mean the state budget. It must be declared that an enterprise which has deficits does no good for the national economy. On the contrary, it must have profits, and there the meaning of profit will come up. The profit has acquired in Greece a catalytic dimension; it is regarded as something between sin and crime. We all must understand that we all try to have some benefit (if we see profit in the broader sense) and that without profit there can be no improvement in the compensation of the employees, nor development of the national economy. And on this the problem of the nationalized sector of production will be in my view the litmus test for the realization of the targets of socialist transformation.

Why should we start from the assumption that every private enterprise with problems must be made sound when we do not try first to make sound the state enterprises which should be an example? "We /the state enterprises/ are the first to get in good shape and this is the challenge for you /the private enterprises/ to put your house in order," is what the state enterprises should tell the private sector.

ARSENIS: You are absolutely right. The developmental plan must have and has as its objective first, to put in order the public sector, the public enterprises and agencies, the elimination of management losses on one hand and the development of the private enterprises which face problems today. With regard to the first subject, the public sector, the plan of socialized enterprises makes a deep cut. This is a plan which has yet to attract the attention of the wider public, possibly because we are still in the preliminary stages of its implementation.

But here we talk about a unique experiment in the world. What did we have in the past? In the past we had the model of the public enterprises as a bureaucratic mechanism, centralized, anti-democratic in decision making, and in general an appendage of the central state machinery. On the other hand we have the model in which the public enterprises are turned into private, a plan which is being implemented, for example, by Thatcher who returned these public enterprises to the private sector.

We reject the model of bureaucratic, centralized functioning which is the model which prevailed in our country in the past. We also reject the return to the private sector of certain basic public enterprises such as transportation, Olympic Airways, electric power, telephones, and we find, if you wish, a middle solution, a democratic solution which leads us to our more comprehensive world outlook. This solution amounts to: We nominate as the decisive partners and stockholders of these enterprises the social and economic groups which directly or indirectly are affected by the activities of these enterprises. In the context of the general meetings of these enterprises, meetings which will take place three and four times each year, the social participants will determine the overall production and development policy of these enterprises, their price policy and also their income policy in a way which will lead to the improvement of their quality, to the lowering of their production costs and incorporate this effort in the overall development targets.

These general directions of the social participants, which in the case of the Public Power Corporation /DEI/, consist of the consumers, employees, industrialists, farmers, all those who use electric power or are participants in the production process, will determine the power policy within the context of the 5-year plan. The implementation and specification of these targets will be a technocratic subject which will require technocratic treatment in the hands of a small Managing Council which will manage the enterprise as an economic entity with the objective of improving the productivity and efficiency.

And this Managing Council, which is a technocratic entity--because the political decisions belong elsewhere--will be responsible to the General Assembly and also to the entire nation for the implementation of these goals. They will have to justify why their plan has not been fulfilled, if it has not, or why there is an unplanned deficit and why they were unable to reach the targets set by the representative General Assembly.

Thus, in the context of a democratic dialogue, we have pressure exercised by the proper social participants in the oversight of these agencies, but we limit this oversight to the general subjects of direction and we give all the initiative and responsibility to a small, technocratic group to implement the plan with strict managerial criteria. The above apply to the public sector.

When There Are No Sanctions

MARINOS: Before you move to the private sector allow me one or two observations: One question is what will be the consequences for a board of directors? You defined it very clearly. In a private enterprise bad management, bad implementation of instructions from the company's board of directors has repercussions on the managers who are often stockholders and may sustain a personal loss and they may even be taken to court. Bad management has consequences for the enterprise itself which may even go bankrupt. But in the case of state enterprises, even if they are merely socialized, are there or can there be similar consequences?

Can the managers pay for their mistakes economically? Is it possible for DEI, or the Greek Telecommunications Organization OTE to go bankrupt? I believe this to be the Achilles heel of the state-controlled economy. We must acknowledge this openly because we always talk about the monopolies but the state enterprises are the biggest monopolies. And they often exercise their monopoly power against the nation as a whole, in this case against the consumers who pay the price. What do they pay for? They pay for the larger number of employees, their low productivity, errors, the nonchalant expenditures, delays and so on. On the other hand, in this case there are no repercussions.

At most the only consequence may be the dismissal of this or that director and the hiring of another. But if the policy of this or that person is disastrous for the socialized enterprise, there must be some sanctions so that those who manage will have to be concerned that they will be accountable before some sort of court which can punish them.

ARSENIS: This is one of the most basic problems in the public sector. As you correctly observed in the private sector there is an unequal criterion of selection as to those enterprises which will survive and those which will not. In the public sector, unfortunately, we do not have as yet acceptable objective criteria to determine whether the management is successful or not.

If we want to achieve the upgrading of the public sector we must create objective criteria to evaluate the management. This is the task of the representative General Assembly which must set the goals for the implementation, i.e., the reduction of the deficit, hold down the managerial cost, increase the productivity, improve the management of resources, etc., etc.

/22 Mar 84 pp 35-45/

/Text/ In this issue we publish the second and last part of the lively and free discussion Giannis Marinos had with the Minister of National Economy Gerasimos Arsenis, which started in New York and finished in Athens. We remind /our readers/ that in the first part, published in our previous issue, Arsenis clearly defined that in the foreseeable future the transition to socialism via a third road requires for several decades the coexistence and harmonious cooperation of private initiative with the nationalized sector of the economy.

He also indirectly agreed that the realization of socialism is more of a philosophical vision than a realistic goal. He rejected as entirely unsuccessful and foreign to democracy the model of a nationalized economy which is directed by a centralized bureaucracy with no democratic processes, and criticized those economists who, out of ideological sentimentality, turn to theories and revolutionary schemes of the past to deal with the present harsh reality.

He accepted as absolutely correct the OIKONOMIKOS TAKHYDROMOS view expressed by its publisher that what is important is not to raise dilemmas between private or public ownership of the means of production but how to make the Greek economy internationally competitive so it can survive in the context of the world economy. He admitted that the public sector, the state enterprises and organizations must be the first to be put in order economically to provide an example for the private sector and also restrictions and processes have not yet been found which will make their management behave with the sensitivity and speed required by the interest of the units they manage.

He gave assurances, however, that the government opposes the nationalization of the economy and for this reason chose socialization, and he explained how he understands it and what he hopes to achieve through it. This particular point is the subject of the discussion published today. The main points from the extensive remarks of the minister of national economy follow:

--The socialization is of interest not only to those working in the state sector but also to the consumers and users of the products and services they offer. The different objectives of the labor unions are the product of syndicalist mentality or misunderstanding.

--He agreed that the problem of our country's economic development is in effect a problem of investments and sound planning.

--The pricing policy of the government must aim at increasing competition and the private enterprises must have sufficient profits to accomplish the necessary capital accumulation and also as an incentive to attract the interest of private initiative.

--He favors price and cost policies which allow for the viability of the enterprises and sides with the view that the cost documents must be made available

to all concerned. He admitted, however, that the absence of sufficient cost accounting personnel and the negative prejudice of certain cost officials in the Ministry of Commerce cause delays and friction. He agrees that the services must make decisions without delays and procrastinations.

--He analyzes in detail how he sees and how the government and the new legislation deals with the problematic enterprises without favoritism, with private-economy criteria and without privileged treatment which he denies. He claims that enterprises which were placed under the special status of the law about problematic enterprises, such as the Mihailidis enterprise or the Skalistiris complex, showed an increase in their productivity and exports.

--He underlines that the narrow syndicalist mentality of certain labor unions may create a situation which not only jeopardizes the interests of the workers themselves but also the development of an entire branch of the national economy.

--He agrees that foreign capital is not only welcome but is the main factor that we play a decisive role in the realization of the government's developmental plan. The government will take care to protect the interests of the national economy. He also recognizes that, with few exceptions, foreign capital no doubt played a positive role in the development of Greece. The government seeks the cooperation of foreign capital, just as the countries of the Soviet-style socialism do.

--He recognizes that the public sector is long overdue for the implementation of industrial investments and explains that the development projects of the National Bank or the Greek Industrial Bank /ETVA/ are delayed because there are no cadres with ability, imagination and boldness. He states that there is reluctance for the necessary cooperation with foreign enterprises and refutes the existence of disputes within the government which delay the implementation of the related plans, as OIKONOMIKOS TAKHYDROMOS has learned.

--He agrees that there is no excuse for our chauvinist sensitivity over the critical observations of international organizations such as the OECD and the World Bank on the status of the Greek economy and on the government's economic policy and agrees that these agencies not only have the right to criticize but their observations might prove useful to the government to the extent they do not conflict with the government's ideological views. He expresses the view that the observations and suggestions of IMF have only academic interest and Greece will not need its help--in which case, of course, IMF would dictate its terms.

--Finally, he shares the view of those who foresee and expect a measured recovery of the international economy and expresses optimism that the Greek exports will increase. He revealed that in 1983 certain Greek exports faced competition with dumping from countries with similar exports (e.g., Spain with its cement).

The minister expressed his appreciation to OIKONOMIKOS TAKHYDROMOS for giving him the opportunity of expressing his views on certain subjects on which the government has not fully informed the public and especially those who are directly concerned.

The full text of the interview of the Minister of National Economy Ger. Arsenis with Giannis Marinos is as follows (as it was tape recorded without any deletions, essential corrections or the toning down of views and positions on both sides in order to preserve the liveliness and spontaneity of expression):

MARINOS: I think it is necessary to clarify certain aspects of socialization. First of all, the labor unions have somewhat misunderstood the law on socializations. They have the impression that socialization means mainly their participation in the functioning of the socialized enterprises where their views will be decisive, although the law on socialization refers to others as well who have a certain interest in playing a decisive role in this process, such as the consumers who may be the entire Greek people, or even the Local Administration to the extent it has specialized interests in a socialized enterprise.

I will give you a specific illustration from a recent communication from the Employees Association of the Commercial Bank, which calls for a cutback in the work of the private shipyards to favor the Elefsis shipyards, which belong to the Commercial Bank, in order to increase their business and then to cut back on the work of the private shipyards to eventually nationalize them. I think such a harmful view does not reflect the government's policy. Would you like to tell us a few things on this subject?

ARSENIS: You have correctly observed that the concept of socialization brings into the production process all the related social and economic factors. One, but only one of them, is the group of those who work for the socialized enterprise; there are also the interests of those working elsewhere; there are the interests of the consumers; there are the users of the goods and services produced by the agency or the enterprise; and these varied views are being dealt with and discussed in a democratic manner within the representative General Assembly.

In general I would say the working people have correctly understood the meaning of socialization. Of course, in certain cases from time to time we see certain indications of a guild mentality or a misunderstanding, but this must become the subject of discussions, of informing the working people with regard to the goals of socialization to avoid objectives which are in conflict with the meaning of socialization as we have presented it.

MARINOS: In any event, I think that the socialization is a long process which will take time and effort, information, common understanding and cooperation to achieve the targets. In part this requires a gradual change in the way of thinking. Maybe this is not the prevailing problem at this moment, although the socialist transformation as you see it and the improvement in the public

sector require this change in the way of thinking. But time goes on ruthlessly and dictates certain other approaches, at least for the rest of the economy. There is a problem in the socialization taking place in the private sector (e.g., the mining enterprises). But I would say do not dwell on this now but return to the subject some other time.

At this point I would like to focus on the main problem facing the Greek economy, namely the recession. It continues although some small signs of improvement appear in certain sectors. I think we all agree that the solution to the problem is in investments which we invite both the state and the citizens to make.

To start with the private initiative, investments require the proper climate and the proper atmosphere, as they say. We also often hear about the need to clarify the rules of the game--another familiar expression. The prospects of the economy are also a condition for encouraging the willingness of the private sector to invest. These conditions are that the products to be produced by the new or modernized factories will have good prospects to be sold in the Greek and world markets and to make some elementary profit which will be the necessary motive for the entrepreneur to risk his capital and also the necessary condition for the accumulation of capital for further investments. How do you see all this?

ARSENIS: On all these observations I would like to say this. First, I would be glad to discuss in a future interview the subject of the socialization of private enterprises and especially of those which are deeply in debt and cannot resolve their problems without public subsidies. You are right, the problem of development is in effect a problem of planning the investments and as we have repeatedly said, the private investments are called to play a main role in the implementation of this investment program.

We believe the programs we have under the 5-year plan create a certainty which did not exist before concerning the priorities in each productive branch and the markets which will develop as a result of our development plan. Thus, in the context of the 5-year plan the private entrepreneur will be able to plan with greater certainty on the kind of market that will develop in our country.

MARINOS: Or at least, to what investments the government gives first priority.

ARSENIS: And which precisely they are.

MARINOS: Because the government planning may be wrong. That is, the government may be wrong in thinking that one sector has a future. The investor himself studies this before he goes ahead with the investment, but at least he needs to know that in case he invests in the sectors provided by the 5-year plan he will have the material and moral support of the state. This latter may be even more important, at least in creating a positive climate.

ARSENIS. This is absolutely correct. The certainty provided by the plan regarding the priorities as seen by the government as well as the prospects

for the development of markets facilitate the decision of the private investor.

Now, of course, the private investor in order to go ahead with the investment must make his own calculations regarding the profitability of the investment which will be related to the price of the product and the cost of the raw materials and labor and of the governmental policy which directly or indirectly determines or affects the development of prices.

As you know, we have not supported a policy of price control per product. We have repeatedly emphasized that in the spirit of cleansing the industry we include the increase, not the decrease, of competition, a competition which also takes the form of price competition. We have also accepted that the development of a private enterprise in the developmental framework which is determined by the government requires, among other things, capital accumulation over a period of time for new investments, for modernization, and introduction of new technology designed to promote the competitiveness of the company. In this sense, the concept of profit which is necessary for the accumulation of capital...

MARINOS: And for the reward of business activity...

ARSENIS: ...the concept of profit as an incentive we see within the developmental plan of the government.

Price Policy and Cost Accounting

MARINOS: At this point a businessman might say that this may be theoretically sound but /the profit/ will depend on the way the government's price policy is being implemented. There are occasional tie ups. There is a "see-saw" between the Ministry of Commerce which is mainly dealing with the subject and the businessmen who question the cost lists of the Ministry of Commerce.

There are specific sectors such as the flour mills, the breweries, and the pharmaceutical companies, which claim that the cost lists prepared by the Ministry of Commerce--and which strangely are not made public--do not correspond to reality. The flour mills especially invoke one argument which I find impressive, namely, the price of wheat charged by the Central Service for the Separation of Domestic Products /KYDEP/ is higher than the one quoted in the cost list of the Ministry. This means an inevitable loss for the enterprise.

A similar argument is presented by the pharmaceutical companies whose prices have not been adjusted for years, resulting in an accumulation of losses, etc. The same is claimed by the breweries. The question is: Doesn't the government know about these arguments? Does the government question the validity of the data presented by these industrial branches or is there a possible confusion on the part of the government? I refuse to accept the view that with its price policies the government tries to undermine the viability of these industries so they become "problematic" and are taken over by the government. At least this has been said by the opposition. This policy is regarded as an

indirect way to bring these industries to the point where they are no longer viable.

ARSENIS: Let us start with the assurance that the government wants to implement a price policy which will not negatively affect the viability of the enterprises. I also want to underline that as you know, there is no government control over the prices of most products.

MARINOS: But there is also the obligation to announce the prices and the various repercussions.

ARSENIS: Yes, but this is common in every country. The government has the responsibility to implement an anti-inflationary policy and it is in this context that the private enterprises are called upon to notify the Ministry of Commerce about their intentions to increase prices.

But the government has set the prices for products on two occasions. One is the case of products which are subsidized directly or indirectly by the public sector, in which case the price is determined not only by the private sector but also by the public sector which, with its subsidies, takes part in the production process. The second case refers to many products, the prices of which were set by the previous government. In this category we have certain products whose prices have been kept at a low level. Thus, we have the problem of adjusting the prices to realistic levels over a period of time and not abruptly.

MARINOS: But don't you think that the inaction of two and a half years since the prices of the previous governments were set may lead to big losses and even bankruptcy for the enterprises which are still waiting?

ARSENIS: Allow me to disagree at this point. I think this government has issued much fewer price control regulations than the previous governments concerning the determination of prices; it had the political will and I would say the courage to approve price increases, as in the case of flour and beer, at a time when the price increase was causing sensitive political problems.

With regard to the pharmaceutical industry which you mentioned, you know there has been an agreement between the government and the pharmaceutical companies on a cost determination method to be used as the basis for determining prices.

For other products--and on this I agree with you--the question of establishing cost must be answered on the basis of common data and discussions between the related enterprises and the government officials. There is an effort in the Ministry of Commerce to expand the services dealing with the setting of costs for products, and I myself have announced the creation of an advisory committee to the committee on prices and incomes which will help us in the overall study of price formation in each branch. This advisory committee will be composed of representatives of the industrialists, small businessmen, workers, consumers, etc.

We proceed with the dialogue on a scientific basis regarding the cost of products and of an overall economic line, namely, that the price which must be competitive must also cover the cost of production and assure the competitive viability of the private enterprise.

MARINOS: On the specific complaint (to stay close to the facts) on the difference between the price of wheat charged by KYDEP and the lower price calculated in the cost list of the Ministry of Commerce--don't you agree that here is something difficult to understand?

ARSENIS: Look, this is a subject I would prefer to have the minister of commerce answer. There is indeed on the part of the officials who determine the cost a negative attitude concerning the validity of the data supplied by the enterprises on the cost of production. What is needed, I think, is an examination of the problem on the basis of data which are known both to the enterprises and to the ministry cost officials.

The problem you mentioned about the flour industry is under discussion between the companies and the ministry cost officials who claim that the enterprises had incentives which they had purchased in the past at a lower price from a company which exists today and through which KYDEP is selling. I cannot take a position on this because I have not studied the subject. What we can say is that specific issues like these must be resolved in an open discussion with common data and a known methodology.

MARINOS: This may help. I mean the openness from both sides. I think you agree. Also, there is something else which I think is a decisive factor. All this must be dealt with as soon as possible. Sometimes the effort to achieve the best destroys the good. In an economy which, we all agree, for one reason or another has problems, delays on details may lead to negative results. I believe this should be of interest, first of all to the government. The first to be concerned with the course of the economy is the government--even if it is only for political reasons.

ARSENIS: I absolutely agree with you and I think we all must agree that precisely because the infrastructure is fairly weak to support a comprehensive scientific examination of the specific problems of the public sector and often in the private sector as well, we must move on without delay to political decisions even on the basis of the unsatisfactory data we have. What is most important for the national economy is that we reach decisions without delay and procrastination...

How the Government Deals With the Problematic Enterprises

MARINOS: ...and with a corrective process which will in time achieve a better communication among the parties.

Before I go on, minister, with the question of foreign investments which I think is very significant (after all this was the main objective of your trip to the United States), I would like--although we agreed to discuss it in

greater detail another time--to have a somewhat more complete statement on the question of the socializations in the private sector. I do not speak about the socializations that have already taken place; I speak about those that are being sought for many enterprises which are or tend to become problematic, something that strangely is being sought by many labor unions in the enterprises, which I think are misinterpreting the law. There is an impression that this process of socialization in the private sector may be gradually extended to other sectors, and therefore it is not clear which are those sectors which are excluded, at least those which are not the government's target in the foreseeable future. Would you like to make a statement which could reassure those who are worried?

ARSENIS: I think we must begin with the problem itself: Unfortunately, we have many private enterprises, especially in the industrial sector, which are deeply in debt and are currently unable to pay off those debts and continue production. The problem we face as a government, at the level of the banks, but also at the level of the private enterprise, is how to deal with this overindebtedness. With Law 1386/82 on solving the problem of the problematic enterprises we have not defined a plan for the nationalization of these enterprises. We have described a plan to put them in order.

The stages are as follows: First we will exhaust all possibilities for solving the problems of the heavily indebted private enterprise within the framework of the public sector and the banking system.

MARINOS: With private economy criteria.

ARSENIS: Yes. If we are unable to find such a solution then the government steps in to give assistance or a subsidy to the specific case to support an enterprise which from the point of view of the national economy is viable, but which may not be viable under more narrow, private economy criteria. I would like to explain this.

Let us take one enterprise, this is a hypothetical case, with debts and frozen credits owed to the banking system. The payment of these debts consumes a large portion of its annual sales. It is obvious that from a private economy point of view this enterprise is not viable. From the sale of its products it cannot continue its production, cover its operational cost, labor, raw materials, etc.

MARINOS: Let me interrupt you to say--because we are talking to people who want to understand--that we mean enterprises which while in their branch are ten units which are doing very well, there is one more, an eleventh unit, which for reasons we do not consider now is in trouble. In this case we are talking about a viable enterprise from the point of view of the national economy.

ARSENIS: Yes, we do not speak about a problematic branch, we speak about a specific enterprise.

MARINOS: It is useful to underline that...

ARSENIS: Correct. From the point of view of national economy, as long as we have the capital equipment in place, as long as there are workers who can deliver in this plant, in the meaning I will explain later, the continuation of production is useful.

In other words, if the sale of the product can cover the operational cost of production, labor, raw materials, and the debt service for the operating capital given to cover the financing of this stage of production (not the old debts), then it is clear that the continuation of production increases the national product, increases employment and adds to the social benefit. The servicing of the old debts does not enter the production process. This is a matter of redistributing wealth through the processes of previous production periods.

Thus, it is possible to have enterprises, which from a private economy point of view must close down, but from the point of view of the national economy must continue. When the advisory committee of the ministry, which includes representatives of the enterprise, employees, banks and other social participants, gives the opinion that the enterprise is viable from the point of view of the national economy, then the ministry appoints a temporary board of directors which will decide, first, for a conservative continuation of production under the conditions and terms I described, that is, under the condition that the sale of the product covers the operating cost of the enterprise, and second, for a negotiating process among the shareholders of the company, the company's creditors, and the state to find a solution for settling the old debts.

This settlement can take many forms. It may be that the banks themselves will agree to change the old debts into shareholder capital. In this case a portion of the shares (possibly a majority of them) may be taken over, not by the state in a strict sense, but by the banking system which had made the loan. This increase of shareholder capital may be achieved through the inflow of new capital from new investors, private investors, maybe foreign investors or industrial development banks. The composition of the new capital will be different from case to case. In any event, I would like to underline that in all these processes nothing rules out the possibility that the old shareholders may come up with new capital and ask for an increase of the shareholders' capital to preserve their majority in this enterprise.

Finally, another solution is the participation of the new agency for improving the health of enterprises which may buy the new shares. The process we have established is an innovation which must be emphasized. To promote production, to avoid leading the economy into a new recession, we divide the problem into two parallel activities. First, we continue the production of the problematic enterprises under the supervision of the temporary board of directors.

MARINOS: As though it is a newly established enterprise with no debts.

ARSENIS: On the condition that the production is beneficial to the national economy. At the same time we open a discussion process on the new structure of the company's shareholders' capital. The new structure will be effected following discussions with the old shareholders, the creditors, and the state. In this context every solution is possible. We do not necessarily impose the socialization on the enterprise. In fact, we are open to suggestions for the participation of private investors to increase the capital, which will be done in the context of improving the economic health of an overindebted enterprise.

MARINOS: Here is a practical observation. Some people say that similar enterprises of a given branch may find themselves at a disadvantage compared to a problematic enterprise. That is, while the problematic enterprise will start working like a new unit, without debts to the banks, at least in the short run until a solution of the problem is found, the other trouble-free enterprises which have borrowed within reasonable limits and have to carry the burden of interest payments and pay off the loan, will be at a disadvantage in their competition with the problematic enterprises which the state has taken under its protection.

ARSENIS: Yes, but the solution of the overindebtedness does not relieve the problematic enterprise from paying the old debts. There is an arrangement of the old debts in such a way as to enable the enterprise to pay these debts from its future production. It is not freed of its debts.

MARINOS: But if the loans are changed into capital and the bank comes in as a new shareholder, does this not free the enterprise essentially of debt?

ARSENIS: It is relieved in this way of servicing one part of its loan, not of every loan. The arrangement will be made in such a way as to restore the viability of the enterprise. Basically, the process for restoring the health of the enterprise is designed to raise the problematic enterprise to the level of the others. After that, which enterprises survive will depend on the new investments, the dynamism of the company, which is related more to new investments and good management than to the question of debts.

MARINOS: Then, of course, we have as a possibility the socialization of the problematic enterprise. Would you like to tell us something about this? It is said that certain enterprises seek their socialization either to get out, because of their impasse, or because they see no future for them. Also, this process is pushed forward by the labor unions which hope that a socialized enterprise in the context of this law would not be much different from a government agency. In other words, they see that they secure their position in a way instead of facing unemployment. Also, they probably think that socialization will give them a less pressing work environment--a less intensive effort--than that usually demanded by private entrepreneurs as compared with the government as the employer.

ARSENIS: No, these are companies which will remain in the production process.

The only unbreakable rule is that of competition. The new board of directors of this company will continue to have the same rules as those of the other companies which will compete with it on equal terms. The fact that the new board will be accountable to the stockholders whose majority may be composed of representatives of the public sector and not private individuals does not mean, I think, that there will be laxity on the part of the board with regard to the need to make the company viable, competitive and productive.

MARINOS: This, of course, remains to be seen.

ARSENIS: And this is a subject the premier himself has repeatedly underlined, namely, that in the cases where we have the socialization of an enterprise in the area of production, such an enterprise must stand on its own feet, must be competitive, and this means it will feel the strict rules of competition and increased productivity.

MARINOS: There is a category of socialized enterprises which was the first to be brought under the law of the problematic enterprises and socialized and which is receiving exceptionally favorable treatment in comparison to other enterprises of the same branch. In a recent interview given to OIKONOMIKOS TAKHYDROMOS by Deputy Minister D. Demosthenopoulos he categorically denied this and challenged anyone to prove the claim is valid. Have you heard this and how would you comment on it?

ARSENIS: First of all, I would say that so far no enterprise has been socialized. The enterprises you refer to are certainly very heavily indebted enterprises which had ceased to operate or were about to stop operating under private management, were placed under the rules of Law 1386, and which still have a temporary board of directors. They continue their production while we try to solve the problem of overindebtedness. In the case of these enterprises we even have the opposite phenomenon, in my opinion; these enterprises are under-financed by the banks because the basic problem of settling the old debts has not been solved. In fact I would say that the problematic enterprises subject to socialization do not receive privileged treatment by the banking system and the public sector. On the contrary, there is a harsh financing policy applied to these enterprises as long as the structuring of the new capital funds has not been resolved.

MARINOS: One observation: Do you believe that in cases where the private entrepreneurs failed--and I do not question that they really failed--the appointed board of directors made up of employees and social representatives will succeed? I have argued that if we are to identify the business game with the rules of free economy, it is inevitable that some will succeed and some will fail. Since there is risk, if a free economy truly is in existence, some will fall by the wayside and may even go under.

The failure of a private businessman is part of the business game. Therefore, we should not be surprised if some enterprises fail and if some private businessmen prove to be resounding failures. But it is also certain the private enterprises, precisely because they are private, have as a rule

management by a small group, or perhaps by one person as it is usually the case in Greece, and can make decisions quickly on questions which require speed because even a delay of a few hours may prove harmful to the enterprise.

By contrast, enterprises which are controlled by a board of directors representing many interests which will require a consensus among the various viewpoints represented on the board, will not have the necessary flexibility and decisiveness. There will also be the certain fear of responsibility, probably because in the past swift decisions resulted in losses. Let us not forget that some of the board members will be in some way public servants. Others will speak for collective organs which I still don't understand how they will be represented (e.g., the consumers, the large classes such as farmers, etc.). Perhaps it will...

ARSENIS: I beg your pardon, but these subjects are not related to the restoration to health of heavily indebted enterprises.

MARINOS: No, I speak about the socialized enterprises...

ARSENIS: In the public sector...

MARINOS: Yes, but the law provides for socializations in the private sector...

ARSENIS: I think there is a misunderstanding...

MARINOS: It may be useful for you to explain...

ARSENIS: The socialization of a public enterprise or agency is one thing; the phenomenon that may result when the majority of the shares of a heavily indebted enterprise passes into the hands of a bank, whether it is a commercial bank or a developmental bank, or of the agency for the improvement of public enterprises and agencies, is another.

In the latter case let us use an illustration. Let us say we have the case of an enterprise which has its own capital of 100 million drachmas and which has frozen credits of 2 billion drachmas owed to the banking system. A study of the problem leads us to the conclusion that the survival of this enterprise with private economy criteria will require the change of half of this debt (one billion) into capital. This capital (shares), which is 10 times as large as the initial stockholders' capital, is "purchased" by the bank or by the Agency for the Reorganization of Enterprises /OAE/. The fact that the majority of shares passes on to the public sector in no way changes the manner in which the enterprise will operate.

Simply, at the general assembly (of stockholders) the representative of the banks or OAE will appear as the majority stockholder. The OAE will appoint a board of directors which must be composed of people who understand the matters of production and the market. They must be people with experience in this

sector and they will be called to function on the basis of the criteria of competition prevailing in the sector. Therefore, the change in the majority of shares does not change the way the enterprise will lead with competition. And I would say that the limited experience we have so far in these cases shows that the boards are composed of persons who can deal with the problems of competition. Even this conservative production carried on while waiting for the final settlement of the problem of the heavily indebted enterprises shows that in these cases we have an increase in productivity.

MARINOS: Could you give us an illustration of such an enterprise?

ARSENIS: I could mention many enterprises such as Mikhalilidis and the Skalistiris complex. I could give you a written report with data clearly showing an increase not only in efficiency but also in output and exports of the enterprises which were placed under the rules of Law 1386/82.

Why We Need Foreign Investments

MARINOS: That will be very interesting. Let us talk now about the question of foreign investments. I believe--it is my impression--that cooperation with foreign capital at this difficult moment will help the Greek economy to come out of its investment sluggishness. Let me explain. The Greek enterprises, almost all of them, for one reason or another, are in bad shape. At the same time the banking system also, in part because of the burdens imposed by the public sector, has no large latitude for lending, even though there may be perhaps new entrepreneurs who could play the role of the locomotive which will push forward the new trend of national development.

In any event, either because there are no suitable persons or because they are afraid no large investments by the Greek capital are visible on the horizon. By contrast, foreign capital, if it has a certain legal framework which in fact exists and which offers the foreign capital more protection than that given to the Greek private capital, and if it has the certainty that the headquarters and main assets are somewhere else and are not threatened by any sudden initiatives of the Greek government, would invest more easily under certain conditions.

Perhaps it would be good for our side to have such investments for two reasons. First, because it will bring its own funds and therefore we will not need to borrow in foreign exchange; and second, with the experience, new technology and capable managerial and scientific personnel it would be able to implement much faster than a corresponding Greek private enterprise and to be successful, efficient, and internationally competitive. Do you think my thinking is correct?

And if it is correct--without of course ignoring the domestic area, the possibilities of the Greek economy, both the private and public--perhaps there should be an end to certain reservations on the positive role foreign capital can play on the condition, of course, that we have a government which seriously cares so that the interests of our national economy are not hurt but are being promoted.

ARSENIS: I would say you have summed up my views on this subject so well that I have little to add. I agree with your presentation. I would like to underline only that the basic limiting factor in the investment effort in our country is not the shortage of funds. Funds exist both domestically and internationally. As you know, the sums we have planned for financing investments are not sufficiently drawn from the private sector. The problem is not there. It is in the absence of organization, the absence of know how on a modern basis in areas of advanced technology and management. We think the participation of foreign capital could make a positive contribution in the areas where we try to promote our national economy in a competitive way with the developed countries.

MARINOS: Aren't you concerned with this talk about the multinational monopolies and other similar cliches which presumably threaten the independence of the Greek economy?

ARSENIS: Look, if one leaves his country and his economy open to any multinational, naturally we will have negative results, as we had in many countries which followed an open-door policy. We, however, approve applications for the participation of foreign entrepreneurs or companies in the economic development of our country after an examination of the specific application and an evaluation of the specific investment and its contribution to the country's economic development. This is how we approve foreign investments. And I would like to say, since you made reference to ideologies, that the countries which have promoted private investments in areas of advanced technology are the socialist countries with the participation of foreign enterprises.

In these countries we have many American or multinational corporations which participate in the production process. What is important, I think, is that the government has control over the activities of the foreign company and has the ability to assure confluence between the activities of the foreign enterprise and the development goals set by the government. This we can also assure.

MARINOS: Your experience so far, your discussions in the American market which I think were designed to explain how you understand the economic development and under what conditions the private capital in general and foreign capital in particular is welcome in the process of promoting the development-- what was the result of these contacts? Did you get the impression that you gave them a picture that will make them begin to consider a new investment adventure (in a good sense) in the Greek market?

I would also like to ask you: Do you think foreign capital invested under conditions which protect the interests of the economy was unscrupulous and harmed the Greek economy? Or, perhaps, although we could mention a few exceptions, we can say that in general the contribution /of foreign capital/ was positive in our country's economic development?

ARSENIS: Personally, I am very satisfied with the results of the discussions we had in New York with the representatives of companies interested in the

Greek market. I think that from now on the rate of inflow of private capital for such investments in Greece will depend on our own efforts to inform the foreign investors on the areas in which we would like to have their participation; that is, from our own planning.

With regard to your other question I would say that at this moment we cannot generalize. There is no doubt that foreign investments made in Greece in the past played a positive role in the country's development. There were also foreign investments which in retrospect proved to be particularly beneficial to our national economy or to the enterprises that made the investments.

The Propaganda Against Foreign Capital

MARINOS: You mean the foreign companies made errors in judgment. This is a very interesting observation, but it should be presented to the Greek public as a clear and sound thought. As you know (you said it, too), there is a kind of propaganda which may be justified from a point of view but which perhaps nullifies or raises problems for such investments behind a phobia which is being promoted that foreign capital penetrating here will limit our independence, not only our economic independence, but also in other sectors as it has been said in the past and is said today.

I would like to be more specific. Included in the Greek delegation that visited New York was Agricultural Bank Governor Kafiridis who presented an interesting brochure which explained how American investors, and others as well no doubt, could invest in Greek agriculture. I mention this in connection with the unhappy experience the Agricultural Bank had recently when cooperation with the City Bank was cancelled.

As we wrote, in our opinion cooperation would have been beneficial for the Agricultural Bank and Greek farmers and we would not have been risking the transfer of possible secrets through the penetration of a big multinational bank into the Greek banking system and especially into the sensitive Agricultural Bank. Yet the disagreement of the labor unions, the personnel associations, blocked this cooperation. The question is whether--while initiatives are undertaken and prospects for the foreign capital are opening up in Greece--after the hard effort you made in New York and which I have mentioned in an article, is it possible for these progressing discussions to find here an opposition, evidently because of a false perception, or even deliberate bad faith, and to block plans which could help the country's development?

I remember in the past when the American company Del Monte made an effort to cooperate with the Greek farm economy and this was seen as unthinkable (I mean the penetration of foreign capital into the agrarian economy) so that the foreign company was virtually thrown out. Are you not afraid that something of this sort could block or make unbearably difficult such desirable investments?

ARSENIS: Although I cannot comment at this moment on the cancellation of cooperation between the Agricultural Bank and the City Bank, which in effect

concerned common use of information channels, I would like to say that the reservation shared by many with regard to the penetration of foreign companies into our economy has some basis. There is no doubt that an uncontrolled, massive influx of multinational corporations in a small country may change not only the economic but also the social and cultural area. What we are talking about is a coordinated, planned participation of certain multinationals or other foreign companies in certain areas in which for this or that reason Greek initiative is not sufficient to develop production with advanced technology.

What we can do on the part of the government is to explain to the people that we speak of a coordinated, studied participation of foreign enterprises in certain branches which will remain under the supervision and control of the government, and that these activities are favorable to the national economy. To avoid any possible problems, I think the government should make clear in advance, both to the foreign entrepreneurs and to the Greek people, the areas which will accept initiatives of this type.

MARINOS: Some people might say, because you have said it before, that in the countries of Soviet-style socialism the rules are more clear and definite as to the possibilities a foreign company may have and what climate it will face. Also, in the countries of the Far East mainly, where the models of the so-called new industrial states are very successful, there is a different cultural tradition and the historical development created a different mentality in these people, without ruling out that the legislation there may be more strict than that in Greece, thus assuring greater labor peace. But in our country the workers and employees see under a different prism the economy, both at the national and the microeconomic level. Productivity, therefore, is much higher in these countries and the problems facing the employers less pressing.

In Greece, where we enjoy a great deal of democratic freedom, where the personal and political freedoms are more clear as in the countries which have a pluralistic system, we have so much freedom for the social participants to express their views and to wage their struggles so that serious problems for the functioning of the enterprises are created. Lately we had strikes which even violated constitutional rules, ignoring certain rules of the game, which are expressed and derived from legislation enacted by the elected Greek legislature.

If these legal rules are so arbitrarily flouted (and I think the government must be very clear on this) one may question how foreign investments will flourish, or whether the prospective investors will have the protection provided by legislation and even by the constitution. Of course, only time will show if the foreign investors are afraid or not. Should the government clear up this point in an open dialogue with those who represent the classes of workers and employees?

ARSENIS: There is no doubt that the foreign enterprises have shown a certain preference for production in the countries of the existing /Soviet-style/ socialism where striking is prohibited. But among the democratic countries I think we can place very high the labor climate prevailing in Greece. If we compare the number of strikes in the last few years in Greece with those in other countries the result I think is favorable for us. I think this climate of labor peace, which is so necessary for the development of our country, will continue. This, of course, does not solve the problem you raised indirectly, namely, that a narrow syndicalist mentality can create a situation--in certain cases a climate--which not only jeopardizes the interests of the workers themselves but also the development of an entire branch of the national economy. It is in this spirit that the premier spoke recently in Ioannina when he severely criticized the syndicalist mentality and underlined the need to have the working people support the development plan which means work and productivity.

Why State Investments Are Not Being Promoted

MARINOS: One more question. Although I have tired you out I think this interview will be useful. I have only asked you difficult questions because I believe it is useful to answer them. (In a way I played today the devil's advocate.) I would like to speak about the state investments. You know, and I do not hide my views in favor of private initiative which I consider indispensable for the development of the economy, a fact which is also accepted by the government. But I agree that when the private initiative for objective reasons, or because of timidity or because it prefers an easier profit, is not willing to invest, especially when we deal with a socialist government such as yours, there should be greater investment activity /by the state/ in the industrial sector (and I do not speak of the investments of the public works budget, etc., which are implemented and create a good infrastructure for the operations of the private sector). Here, too, we note a very considerable delay.

I personally wonder, and I have raised this question with the investment banks. For example, there is an investment program by the Commercial Bank which does not seem to move. The ETVA also has done nothing of consequence during the years PASOK has been in office. Of course, it had not done much before, either. For example, the famous ELVIL investment is still pending although the only thing left, I think, is to decide which technology to choose and go ahead.

What is the meaning of this procrastination in the public sector investments? Is it due to the poor management, as you, too, have repeatedly noted? Is there some reluctance because it will be necessary to work together with foreign investors and to accept possibly a technology which will come from foreign enterprises? Are there any disagreements within the government (I must say this, too) because I hear that certain ministers do not sign certain decisions? I think this is a crucial question of interest to the entire Greek people and I assume above all to the followers of the party to which you belong. Why does not the state make industrial investments?

ARSENIS: This question, I think, goes to the heart of a difficult and sensitive question. When I took over the ministry, I have to tell you that I had many hopes to speed up an investment plan for the development of our industry in the context of the program of the development banks. If you recall, one of my earliest statements to the press was the announcement of seven big development projects. Today I am sorry to say that the preparation of the investment plans, the promotion of new investment projects by the development banks, has moved very slowly. This is not due to intragovernment disputes, which do not exist, or to the reluctance of the government to proceed with this or that form of participation by various agencies in the investment plan.

It is simply due to the fact that these agencies as yet do not have full staffs, are not manned by cadres having the ability, imagination and boldness to move ahead with investments of this type. They are (sorry to say) bureaucratic structures rather than developmental agencies which promote projects that have some risk. I hope that the administration of these agencies (and I recently had a discussion with the new board of ETVA on this) will be able to proceed with the implementation of those investment programs that have been approved and that they will also hire dynamic cadres who will promote new ideas and new projects.

MARINOS: Forgive me for insisting on this subject but I have heard that investments announced by the programs of the Commercial Bank do not move forward because, while the European Bank is willing to finance them, the Greek government will not provide the appropriate guarantees. Thus, this case has hit a snag. My information is valid. I wonder also why, although the issue of ELVIL is settled (the big industry for telecommunications equipment which is to be created by ETVA), the bids are in and the best offers have been selected, the project does not go ahead? Is there a lack of political will or rather lack of political decisiveness to move ahead with this investment?

ARSENIS: The government has not reached a final position on the question of ELVIL.

MARINOS: In other words what is missing is the government decision for ELVIL and not the investment bank decision.

ARSENIS: I am told that in the next few weeks the government will decide on the form of the investment and after that we shall move swiftly. There is a committee of experts which is studying the subject. As far as I know this study has not been submitted as yet to the acting minister of national economy for his decision. With regard to the Commercial Bank investment programs the question of government guarantees has not affected the pace of implementation of these programs. In any event, the issue of giving state guarantees to the financing by the European Investment Bank will be settled soon.

The IMF Criticism is Useful

MARINOS: Let me say a few words about the comment caused by the recent report of the International Monetary Fund (IMF). I will not ask you because I know your statement on its content. My observation is this: There is a very hostile tone in the responses to any reports issued by international organizations concerning the Greek economy. In other words, the observation by the IMF, the OECD, and the World Bank that in their view the Greek economy is not in as good a shape as it could be, that the income policy undermines the competitiveness of the Greek economy, etc., is treated in a way that I think goes beyond the proper dimensions. That's their opinion. You have your economic policy and you are of the opinion that this policy will achieve better results than the various economic prescriptions given by the OECD or the IMF. My question is this: Why should we be so annoyed by any such suggestion? (This does not apply to you because you have always treated the subject calmly.)

ARSENIS: I would like to comment on what I said because I have spent a significant part of my life in international organizations and in the past I, too, was the author of similar reports. You very correctly said that the organization which sees the subject from its own angle has certain observations to make. On the whole these reports contain some criticism but they also usually have a benevolent attitude regarding the status of the economy they study. The Greek economy is not the only one being criticized. Recently I saw reports on France, Britain and Germany with harsh criticism of the policies followed by these countries.

MARINOS: Even for Holland which is doing well.

ARSENIS: The intention of the author is to contribute with his criticism to the discussion over the course of the economy he is studying. Here I think we have two kinds of problems: First, the two reports which have been widely discussed in our country, namely, the OECD and IMF reports, which are based on a model of neoclassic type of analysis, with which as you know we do not agree. We belong more to the structural school. Therefore it is inevitable that we see things from different angles. I, too, was surprised by the extensive discussion of these two reports which had both strong and weak points. I agree with you that they must be read as economic documents, with which one may agree or disagree, to enrich his own thinking. I take this opportunity to say that I have personally found positive elements in both the OECD and IMF reports, just as I have found points with which I disagree.

MARINOS: I would like to say it is very useful to have foreigners tell us what they think is wrong even when their assessment is faulty. If they are right it will be useful for the recipient of the criticism to correct its policies. In any event, about the IMF in particular, which is portrayed as a monster which devours weak and poor nations in its effort to subjugate them to its terrible rules, I think there is a great deal of misinformation and confusion. The IMF cannot make any decision affecting Greece nor does it have a right to

intervene in Greece to implement a policy. Only countries in trouble resort to the IMF. As long as the policy of the present or any Greek government does not create a foreign exchange crisis we can ignore what the IMF says because it has no effect. But if we find ourselves in a difficult position and ask for its foreign exchange support don't you find it reasonable that when the IMF is asked to help us it should say: I will help you under such and such conditions? In other words, is it so bad to suggest how the country should use the money it will provide?

ARSENIS: Yes, you are right that the IMF, which is an international organization...

MARINOS: Greece is a member.

ARSENIS: We are members, yes. It makes loans to member states primarily under certain conditions. These conditions refer to an economic policy designed to restore to health the economy. Precisely because we see the problem differently from the IMF we have no intention, and fortunately no need, to go to it for help. For this reason we read the IMF report as a study of academic interest and we agree or disagree with its views. The report has no functional meaning for us. Of course, if we were to speak of another country which has borrowed from the IMF, then the report has some practical significance for the course of its economy, for its economic policy. But this does not apply to us.

MARINOS: Maybe some obligation. The IMF says: I will continue to support you if you apply a certain policy.

ARSENIS: That does not exist.

What Are the Positive Indicators for the Economy?

MARINOS: A general question: How do you see the course of the international economy? Do you continue to have a guarded optimism? Do you believe developments in the American economy and to a lesser degree in various countries in Europe are positive and will have a positive effect on the Greek economy? And a third question: The very positive development of our exports in the last few months (the data show it is indeed positive) is considered to be a reflection not only of the measures taken by the government, including the devaluation of the drachma, but also of the greater ability of the world market, due to the recovery, to absorb more products. Can we hope for better days at least in the foreseeable future?

ARSENIS: Of course, no one can be certain about the course of the international economy, but personally I agree with the majority of observers who see a gradual recovery of the international economy in 1984. But I would like to emphasize that we cannot rule out the possibility of slackening of economic activity in the US during the last 4 months of 1984, that is, right after the election. But I would not consider it very likely.

We base our estimates on the measured recovery of the international economy. As a result of this development we begin to see certain favorable effects on the Greek economy. The increase in the volume of exports is due only to the economic measures we took in 1983 and we continue to take, but is due also to the increased demand in the international economy. We also count on an increase of the tourist revenues in foreign exchange because we foresee increased tourism in 1984 as a result of the relative affluence in North America and Europe.

The favorable expectation concerning exports is due to an additional factor, that is, that the competitive countries which lowered their prices in 1983 to compete with us have now exhausted all margins in many products and see price increases evidently because in 1983 they sold products at lower prices amounting to dumping. Of course, such underselling cannot last forever. For this reason I think the prices will be relatively more favorable this year.

MARINOS: Which products are you referring to?

ARSENIS: Cement is one case where we saw a cutting of prices way below the operating cost for the competitor countries.

MARINOS: Although I could keep asking you questions for days, we must end the interview here, with the warmest thanks on behalf of OIKONOMIKOS TAKHYDROMOS and me personally for your patience and comprehensive answers to my equally detailed and possibly unbearably exhausting questions. I believe our readers and the Greek public in general will appreciate your interview, and I hope you will again give us the opportunity to continue this so useful discussion.

ARSENIS: Thank you for the opportunity to express my views on questions I, too, consider important. I hope this interview will help your readers in their thinking on vital issues of economic policy.

What is the "Third Road to Socialism"?

Two days before our discussion with Arsenis, Premier and PASOK Chairman Andreas Papandreou, speaking to a meeting of the Organizational Committee for the Congress of the Movement, made the following particularly enlightening points with regard to the Third Road to Socialism, which obviously are in keeping with what was said by the minister of national economy in New York:

"The 'Third Road' begins, is completed and is exhausted in the fertile ground of parliamentary democracy without closing down any process which autocratically abolishes any right.

"Example: The economy where the various sectors in a mixed system coexist, are tried out, compete and clash with the old and new production relationships...Our strategy for this passing into /socialism/ is to develop these sectors in terms of production relationships. We have the private sector, the public sector and the social experimentation...We leave the institutions open to the challenge of the future and to the prospects of the developing social dynamic."

7520

CSO: 3521/218

BRIEFS

MAJORITY STILL OPPOSES FUNDS--Fifty-three percent of Swedes have expressed opposition to the wage earner funds, according to a SIFO [Swedish Institute of Public Opinion Research] poll which was taken on behalf of the antifund organization The 4 October Committee. Of 1,056 Swedes in the age group 18-70 who were asked if they were for or against the wage earner funds, 17 percent said they were for and 53 percent were against and 30 percent were doubtful. According to the poll every fifth Social Democrat is opposed to the funds. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 15 Apr 84 p 6] 9287

CSO: 3650/182

IMPACT ANALYSIS OF DECONTROLLED IMPORT SYSTEM

Istanbul CUMHURIYET in Turkish 4 Jan 84 p 1,11

[Text] The new import regime, which is designed to open domestic industry to foreign competition and break the monopolies, will, in its present form, be propping up monopolies and pushing up the prices of domestic products instead, let alone break any monopolies. The Office of the Permanent Under-secretary of the Treasury and External Trade, which opposes that view, counters that "the import surcharges are flexible. We can alter them 2-3 times a week if we so desire. If it leads to price rises, we will reduce the surcharges."

The high rates of import surcharges applied to the newly decontrolled import goods, durable consumer goods heading the list, have attracted a good deal of criticism from certain circles.

It is maintained that unless the surcharges are determined with utmost care, import decontrols will not nudge domestic industry towards competition, as was the case in electric batteries last year. It is said that "high prices will result from such high import surcharges and that, in turn, will solidify the position of the monopolies, pull upwards the prices of similar goods in the domestic market, and lead to artificial price rises."

A prominent figure in the business world, singling out color television and refrigerator as instances of high surcharges, explained:

"When the domestic product sells for 100 while the foreign product enters the market selling at 200, who is competing with whom? The most likely outcome would be that the price of the domestic product would go up to 150. Those who have, until now, brought foreign products by illegal means into the country will continue doing so, illegally and cheaply, instead of paying customs duties and import surcharges. They know the procedures of smuggling inside out. The new import regime, in its present form, gives premium to monopolisation and smuggling."

There is no criticism, from any corner whatever, directed at the high surcharges applied to those goods not manufactured in Turkey, and which fall into the category of luxury consumption goods, such as Mercedes, whisky, foreign brands

of cigarettes, perfumes etc. It is thought natural and right that those who are capable of consuming such goods should be paying their share to the government. The transfer of some of the revenue thus procured to the housing fund is even receiving support.

But when it comes to the import surcharges applied to those goods produced by sectors having monopolistic or oligopolistic structures, it is difficult to see such positive attitudes. The criticisms and questions in this regard focus on the following points:

Worries

- The big margins that arise between the prices of domestic and similar imported products, due to the high import surcharges will give the monopolies more room to dictate prices, and pull prices upwards artificially instead of breaking up the monopolies.
- Do the monopolised sectors in Turkey simply consist of those products included in the import regime? Why have some of the monopolised sectors been left out of the scope of this regime?
- With such high surcharges, how can our domestic industry be opened to competition, and how can the consumer be protected?
- Under these conditions, can the practice of dictating prices to the market and cartelisation be prevented, and can the oligopolistic structure be broken up?
- Wouldn't such high price margins encourage smuggling? Wouldn't the smuggler, who has mastered the methods of smuggling and marketing, instead of paying such high surcharges for legal importation, continue to ply his trade and mark up prices under the pretext of 'paying surcharges', thus increase his profits and further exploit the consumer?
- Wouldn't a market for smuggled goods replace the foreign currency black market at Tahtakale which is in its death throes these days?

We have addressed these questions and criticisms to the higher echelons of the Office of the Permanent Undersecretary of the Treasury and External Trade. In the answer received from them, it is said that according to the new import regime import surcharges can be altered quite easily. Since the regime is not a governmental directive, the changes would require only the approval of the Money and Credit Council. It is added that

"The fundamental philosophy that underlies the decisions is geared to opening our industry to foreign competition and breaking up the monopolies. Since this is not a governmental directive we can alter these surcharges 2-3 times a week, if we so desire. These surcharges are flexible. Lets see how the practice works. If the prices of imported goods prove to be high, then we will lower the surcharges. We further believe that the opening of legal import channels will reduce the amount of smuggling. However, if attempts at smuggling do persist, we will be at the heels of the smugglers."

SHIPPING MAGNATE ON PROGRESS, PROBLEMS IN MARITIME INDUSTRY

Istanbul DUNYA in Turkish 4 Jan 84 p 7

[Text] Shipowner Ugur Mengenecioglu, board chairman of UM Denizcilik A.S., having just announced the addition of the latest vessel to the UM fleet, the 153,274 dwt M/T Gokturk, launched in Lisbon on 29 Dec 83, said how pleased he was to have informed the public of this newest and youngest of Turkish vessels, on the final business day of 1983, a day after the christening ceremony.

Ugur Mengenecioglu (henceforth Ugur M.) continued as follows:

"MIT Gokturk is a tanker of the same type as M/T Büyük Hun, sharing similar features and built at the same shipyard. It is the second in a series that is known as 'sister ships'. UM Denizcilik A.S. started its tanker fleet with M/T Zafer, built in 1971. Next we purchased the 115,000 dwt M/T Murat, also built in 1971. However, with the purchase of our third tanker, the 132,000 dwt M/T Burak, we made a significant move. The 1977-built M/T Büyük Hun subsequently joined our fleet. The M/T Gokturk which raised its flag on 29 Dec 83 is a new 153,274 dwt vessel."

Our Tonnage Up to 1.1 Million Dwt

Noting that the M/T Büyük Hun and M/T Gokturk have two more sister ships, Ugur M. said:

"One of them was built in 1978, and the other in 1979. The agreements concerning these two vessels have been completed, and their incentive certificates (with grace from above) reached us today (30 Dec 83). Our tonnage, within Turkey, thus increased to 1.1 million dwt. These five tankers will be in the service of Turkey. These tankers, of which one is 1976-built, two are 1977-built, one 1978 and another 1979-built, will be in the service of Turkey. The two original tankers of our fleet, M/T Zafer and M/T Murat, will be taken out of the domestic circuit to be put in service in overseas markets, bringing foreign currency to our country. Meanwhile, our brand-new and modern tankers will carry crude oil to meet our country's needs. All this means that the number of vessels in the UM Denizcilik A.S. fleet has risen to seven."

Reminding that they have taken the two original vessels out of the crude oil transport business, and that these vessels have been removed from the direct service of Turkey with a view to bringing in foreign currency, Ugur M. assured that these vessels will fulfil their obligations to the state.

Pointing out that the UM Denizcilik A.S. is being organized and equipped to be able to follow all technological developments in compliance with contemporary rules of navigation, Ugur M. stated that they have, for the time being, abandoned the idea of investing in shipbuilding. He said:

"We had intended to invest in shipbuilding. But our plans were large-scale. Though the idea was quite attractive, and despite extensive studies on the subject, we have realized how difficult it would be to secure the personnel required for such an operation in Turkey. Therefore we have abandoned the project for the time being. What we are saying is that we should purchase new ships and, if possible, place orders for further ships, but leave shipbuilding aside for the time being. And as UM Denizcilik A.S. we are even saying that Turkish firms should be placing new orders at the shipyards. As to ourselves, we simply want to operate our vessels in an effective manner."

"Our Fleet Technologically Up-to-date"

Reminding that the personnel responsible for the administration of the fleet is required to have outstanding qualities and a store of technological knowledge, Ugur M. said:

"A large group of people is working in our fleet. All our vessels are technologically up-to-date incorporating the latest developments. They are computerised and automated. I do not think that apart from our latest five tankers any other tanker in the Turkish merchant fleet can venture into the American waters. That is because one cannot comply with international regulations unless one is technically equipped to do so. We are the only ones to possess the equipment and instruments that comply with the American coast guard regulations. Yet there is also a need for competent personnel to work these instruments and apply the rules. The shortage of trained personnel has become the gravest problem of the Turkish merchant fleet which is rapidly developing and modernising.

We are trying to overcome these problems. Shipping firms in the West do not encounter such problems. In those seafaring countries which possess large numbers of trained personnel a good part of them are unemployed. The personnel of the vessels that we bought have become unemployed. A vessel discarded in the West or regarded as commonplace is something new for us. It is new for our personnel, too."

"Difficulties in Money Transfer Due to Regulations"

Drawing attention to the necessity of full compliance with the rules of international maritime trade, Ugur M. said:

"Furthermore, I would have to remind you the problem of communications. I have to take note of the difficulties in money transfers, difficulties arising out of regulations. As an entrepreneur one is entering competition not only with domestic firms but with those overseas firms operating on international trade routes and markets, firms which have completed their capital accumulation and left the problems I have just mentioned far behind.

Yet nowadays we cannot properly communicate even with our national stations, whereas communications with radio stations in Europe or other countries are being conducted under very normal conditions. The goal is to compete with firms which are the beneficiaries of all kinds of technological developments, and of the completion of the industrialisation process.

Despite these conditions which do not conform to the principle of equality, the goal of UM Denizcilik is to succeed, and we are indeed working with a determination to succeed."

Pointing out that maritime trade is an industry which has to be conceived beyond the national boundaries Ugur M. said:

"One cannot conceive maritime trade within the confines of national boundaries. One cannot enumerate the vessels or the tonnage. There is as much maritime trade as there is world trade. The volume of maritime trade corresponds to the volume of world trade.

Goods will move from one corner to the other. Individuals will travel from one place to the other. In Turkey, for years, we have viewed the transportation problem from a narrow angle. We thought of carrying only our own goods. We thought that being a shipowner meant owning one ship, or two at the most. We have not ventured into the maritime trade carrying such thoughts as 'let us become a major actor in the world market, let us carry other people's goods, let us start with one vessel, but let it become five vessels, fifty vessels, five hundred vessels.'

Just as we have not been thinking in those terms, I suppose our state planners, in preparing the Turkish development plans, have viewed Turkish maritime trade from narrow angles. Since they viewed it as such the whole thing did not take off the ground. I would like to give an example. Let's see how the foreign currency account of UM Denizcilik stands. The figure as to the final business day of 1983 is approximately \$50 million. The foreign currency input that we contribute to our country will rise considerably next year.

That is because we will cater to overseas markets. If three to five vessels suffice to amass a foreign currency input of that size, what kind of figures would we be talking about if we were to operate with 300-500 vessels? But how is Turkey to man these vessels? The main problem lies here. In sum, every single investment has been viewed from narrow angles and the results have been correspondingly small.

Look at the foreign currency input of the Greek merchant fleet which, despite the recession, still contributes sizeable sums. What is the foreign currency

revenue of Norway which has most of its ships anchored? And then what is the foreign currency revenue that we, as Turkey, derive from maritime trade? This should be subjected to a comparison. Look at countries with large fleets. They purchase a good number of their ships from other countries, they man these ships with Greeks or other nationals, but, in the end, they look at the foreign currency that fills the national coffers. They opt for the alternative that brings in more foreign currency.

The situation is like this in maritime trade. We are not talking about growing trees, building dams, or constructing factories. We have no marketing problems either. If you have good ships, offer good services, maritime trade is conducted at the international level outside the protectionist walls. You can sell the ship, market it, but surely you will bring in foreign currency. Ideally, the situation should be such that we should not be encountering difficulties during flag registration, or in getting incentive certificates, or transferring money. The difficulties in maritime trade originate from our narrow view of this sector. Whereas, if we could approach the whole subject with a viewpoint which asks 'can I earn \$1 billion or \$2 billion from the maritime trade' solid results will be achieved."

Reminding that there is a reason for starting exclusively with the crude oil tanker trade, Ugur M. pointed out that they are not interested in taking business away from other Turkish shipping firms. On the contrary, during the 1980-81 period over 50 vessels under foreign flags had come to Turkey. Continuing, he said:

"The number of such vessels has fallen to three during 1983, and those that came have been incidental. What this means is that nowadays Turkey's crude oil imports are being carried by Turkish tankers. And this demonstrates that we have placed a defence line in front of the foreign firms which have been earning millions of dollars out of the Turkish crude oil market. We have taken business out of the hands of foreigners. As to the Turkish shipping firms, they have also purchased tankers.

The second goal of UM Denizcilik should be this: Without leaving matters right at this point, we will expand our trade beyond our waters carrying oil to other countries thus earning foreign currency and bring it home. This is our second goal."

Maintaining that whenever a new vessel is purchased the personnel problem re-surfaces in all its acuteness, Ugur M. drew attention to the need for personnel which should be adequate not only in terms of numbers but with regard to the level of training to cope with a brand-new vessel. They have been giving on-the-job training, and they would have to bring in foreign specialists during 1984 to train their personnel. They were obliged to do this. Stating that they have purchased 6 acres of land in Seyman near Golcuk, Ugur M. said:

"We are establishing a training center to train our personnel. We are going to install a training center on this land. This area will serve also as a center of repair, maintenance and supplies."

Ugur M. announced that they have reached an agreement with the firm of Burmaister and Sulzer at the plants of which engineers from UM will attend training courses in 1984, adding that those who have been trained there will become instructors at the UM Denizcilik Training Center to train the new personnel. As a result of their investments the country gains not only ships but also trained personnel who have mastered and are able to apply the new techniques. It is possible that these men might obtain employment on foreign ships bringing foreign currency in the process. He also made reference to the quality of the work environment they have helped create. Reminding the need for channeling our youth toward maritime trade, Ugur M. said:

"Seamen are a source of foreign currency. The export of deck and machine officers should be viewed not as 'brain drain' but as a form of incentive for earning foreign currency. However, we have to orient our youth towards seaman-ship, and train a sufficient number of seamen for our merchant fleet."

He continued as follows:

"When we talk about maritime business we are talking about various parts making up a whole. One has to deal with the purchasing of the vessel, its operation, its repairs, its overhaul. It requires having specialty banks dealing with maritime financing and marine insurance firms.

With regard to insurance I have an important thing to say. As Turkish shipping firms, we think we insure our ships with Turkish insurance firms. Yet 99 percent of our premiums go to foreign insurance firms. This is despite the fact that capital accumulation in Turkey has reached a level sufficient to cover the insurance of Turkish ships, and diversifying the risks in an appropriate manner. We now have a rich market. I personally can take on the risk of marine insurance. I too can enter this business.

I am fairly confident that there are groups of investors in Turkey today that can enter this profitable business. But unfortunately, our insurance firms conduct their business in England. I have even heard reports that two English insurance firms have parcelled Turkey between themselves and have marked up the premiums. I can prove this. You can write this quite openly.

Therefore, I wish that other firms obtain a share in the business. Turkey has the required strength to accomplish this. Intellectually I subscribe to the idea of entering all fields of activity. But I also wish and anticipate that Turkish entrepreneurs invest in many fields. Then we will be supporting each other, helping one another. I prefer purchasing my fuel from a Turkish firm rather than a foreign one."

12466

CSO: 3554/119

FACILITIES URGED FOR FOREIGN CAPITAL PROFIT TRANSFER

Istanbul DUNYA in Turkish 4 Jan 84 p 3

[Text] It has been proposed that the foreign capital profit transfer procedures should be facilitated with a view to attracting foreign capital to Turkey, and creating areas where investments could be made effectively. With this aim in mind, and in view of the "gradual transition to convertibility", Associate Professor Dr. Ridvan Karluk, head of the EEC section at the State Planning Organisation, drew attention to the necessity of making arrangements so that the profits of foreign capital are "recycled into new capital investments in Turkey."

In his research monograph titled "Foreign Capital Investment in Turkey" Dr. Karluk argues that there is a need for "supplementary incentive measures " if we want to see that the profits of foreign capital are channelled into new investments.

Profits Should Be Transferable in Whole

Dr. Karluk noted the following:

"A foreign firm operating within the scope of the Law Encouraging Foreign Capital should be able to transfer the whole of its net profit and equity, and part of the salaries of its foreign personnel. It is no secret that the main goal of foreign capital is to make profits and to transfer those profits. This is indeed the natural quest of the private entrepreneur. Foreign capital which is not able to make profits and to transfer them abroad will not be interested in making investments in that country."

Yet "despite the natural quest" of the entrepreneurs, Dr. Karluk maintained the necessity of offering incentives for the channeling of foreign capital profits into new investments instead of being transferred abroad "limitlessly". He added:

"Furthermore, foreign capital has been frightened off by the difficulties experienced in transferring profits due to the foreign currency shortage of recent years, or even by the existence of such a possibility. Therefore,

along with the improvement in the economic situation it is necessary to make the transition to convertibility."

Dr. Karluk singled out "legal guarantees against the risk of expropriation and nationalisation" as an important measure in that regard. He said:

"In the case of expropriation or nationalisation of immovables (they being the central focus of private property), legal guarantees should be offered with regard to the assessment and payment of the real exchange value of the immovables, and this guarantee should be stated openly."

In his monograph, Dr. Karluk proposes entering into bilateral agreements with interested countries with a view to "preventing the double taxation of foreign investments", while noting that

"Special agreements would be the only means to prevent situations where due to tax rates being low in the investment-recipient country, higher taxes are charged at the other end where the profits are transferred. For instance, if the corporation tax is lower in Turkey in comparison to the capital-exporting countries, it would be necessary to take measures to prevent further taxation if we wish to see the tax differentiation serve as an incentive."

In his monograph, Dr. Karluk proposes that foreign capital firms operating under Bill 6224 should be offered convenience in employing foreign nationals, however this should be "limited to higher administrative positions."

12466

CSO: 3554/117

NATURAL GAS EXPORTS UP 2 PERCENT IN 1983

The Hague ANP NEWS BULLETIN in English 16 Apr 84 p 3

[Text] Groningen, 16 Apr--NV Nederlandse Gasunie, the distributor of Holland's natural gas, said today Dutch natural gas maintained its important position on the Western European market in 1983, with a two per cent rise in exports to 35.4 billion cubic metres (34.8 billion).

The Gasunie, which is owned for 50 per cent by the Dutch state and 25 per cent each by the Shell and Esso oil companies, said in its annual report that exports expressed in money terms fell last year to 12.4 billion guilders (13.0 billion), due to a glutted European market and an average price fall of two per cent.

Total turnover was up two per cent to 27.18 billion guilders (26.69 billion) for the year. Expressed in volume terms, domestic and foreign gas sales were up four per cent to 73.8 billion cubic meters (70.8 billion). The Gasunie said the increase was the first after four years of steady decline.

Net profits for the year were set at 80 million guilders (same).

Total domestic sales amounted to 38.4 billion cubic meters, an increase of 6.8 per cent over 1982.

Stable Prices

Sales to industry rose slightly to 9.8 billion cubic meters (9.2 billion) due to a large scale industrial shift from fuel oil to natural gas.

Sales to glass-house growers fell by 200 million cubic meters to 2.3 billion cubic meters for the year. The Gasunie said the drop was due to price increases in 1982 and 1983 and the resulting conservation measures taken by the growers.

Gas sales to electric power stations also increased last year, due to switches from fuel oil to natural gas. The report said that natural gas was the fuel used for generating some 60 per cent of the Netherlands' electricity last year, as compared to a European Community average of 15 per cent.

The Gasunie predicted increasing European household use of natural gas due in part to the more stable prices for this fuel.

Electric power stations, particularly those in West Germany, however, were showing a trend towards less natural gas firing and a switch to cheaper fuel such as coal and nuclear energy.

CSO: 3600/30

ENVIRONMENT AGENCY HEAD ON HYDROELECTRIC DAMS, PESTICIDES

Stockholm SVENSKA DAGBLADET in Swedish 15 Apr 84 p 26

[Article by Henrik Ekman: "Valfrid Paulsson Says Power Industry Has No Solidarity"]

[Text] "Time after time we have hoped that now it is finished, now we can work in peace on the rivers. But soon something happens and the power producers jump on our decisionmakers with their lobbying activity. They have money--and they do not hesitate to use it! The power industry feels no solidarity with the demands of society that industries must show consideration for the environment."

Valfrid Paulsson, chief of the National Swedish Environmental Protection Board since its beginning in 1967, has never been afraid to say what he thinks, whether it is directed against "jokers and minstrels" or the National Swedish State Power Board.

Just now it is the actions of the power board which upset the chief of the environmental board the most. One of the reasons can be found at a high bog in Dals Eds municipality in Dalsland: Tingvalla bog.

This has become the battlefield for a bitter conflict of principles between the two national boards.

In the Alvsborg county environmental protection plan and in the national physical plan, Tingvalla bog is designated as an object of national interest. In the county there are lots of wetlands, but only a couple of this class.

Therefore the county environmental protection authority and the environmental protection board reacted very strongly when it was learned that the state power board and the municipality wanted to build an experimental installation for the extraction of methane gas on Tingvalla bog.

The basic idea of the 1973 Riksdag decision about physical planning was that the exploiters should know early on where they could expect conflict with environmental protection, and where they were free to move ahead. All national institutions received instructions to work in accordance with national policy objectives, meaning avoiding objects of national interest.

The power board, however, wants to build its experimental installation on Tingvalla bog and nowhere else. Roads and power lines have already been installed. The bog is large and treeless.

A biological consultant was utilized who said that part of the bog was not so unique. Based on that, the power board questioned its classification as an object of national interest.

The paradox in the conflict is that the method that the power board wants to use is much less environmentally damaging than common peat extraction. It requires burying pipes in the intact bog. These collect methane gas which is produced by bacteria in the peat during the breaking-down processes.

For Valfrid Paulsson the case is yet another decisive test of firmness in the entire national physical plan.

The first round in the conflict over Tingvalla bog was won by the power side. The county government's lay advisory board last Monday rejected by a broad margin the civil servants' recommendation for refusal. In May the question will come up again. However it goes, the decision will be appealed to the government.

The discussion which preceded the decision of the county board referred, among other things, to nuclear power liquidation; "in any case, we must have something." The reasoning is the same for hydroelectric power. Minister of Energy Birgitta Dahl wrote on 5 April in SVENSKA DAGBLADET/BRANNPUNKT that we are perhaps forced to choose between coal fired power plants and continued nuclear power until the end of the century if we do not stick to our knowledge of hydroelectric power.

Valfrid Paulsson agreed with her writings, even though he was not as definite as Dahl that nuclear power will really be liquidated.

"This has of course always been the question, even if it is not being discussed in that way. We have a kind of one-question discussion in Sweden, which is harmful to an area such as environmental protection. Instead the entire field should have been seized upon long ago. We must balance the wisest possible prognosis for energy consumption and the different ways of producing it, against the results that the different methods can produce."

Then what is going to happen?

"I can not answer that. It is a question of political balance. But I believe that all opinion-forming groups will be forced to enter this debate."

In 1974 Valfrid Paulsson said in a SVENSKA DAGBLADET article: "Do not the people understand that an exaggerated agitation against nuclear power can now result in the remaining rivers being exploited?" He still feels that way today.

"The political generation now in place must of course work in accordance with the result of the popular vote. We still have several years before the final position will be taken, and in that time we should be able to discuss all the alternatives. No decision by the Riksdag is any more sacred than the next. Of course I am loyal to the result of the popular vote. At the same time we must be loyal to our work, and give an account of the consequences of the different alternatives."

You have said that the most disastrous act would be to exploit the rivers?

"Yes, because it is something that is irrevocable, something we can never change."

The environmental board believes that acid rain is perhaps today's most important environmental question. Do we not need more hydroelectric power to solve that problem?

"No, we will not solve the problem of acid rain by expanding hydroelectric power. Other steps must be taken, primarily internationally."

Is it better to retain a certain amount of oil fuels than to sacrifice the rivers?

"Yes. We must invest still more resources to reduce emissions."

Has the policy of reducing our dependence on oil been carried too far?

"No, I think it is entirely correct."

But it has had its effects on the environment?

"Yes, obviously."

Which are the most negative?

"That the rivers debate keeps coming back. Time after time we have hoped that it is ended, and that we can have peace and quiet on the hydroelectric power issue. But as soon as that happens the power producers jump on our decisionmakers with their lobbying activity and try to go farther."

They apply pressure skillfully?

"Of course, they have money! And they do not hesitate to use it! The power industry feels absolutely no solidarity with the demands that society has made that business must show consideration for the environment. They pay consultants to cast suspicion on the guardians of the environment."

Example?

"With the introduction of coal a couple of years ago they spent millions of kronor for very doubtful information, and did not hesitate to falsify interviews."

Did that have any influence on the outcome?

"Fortunately not. But that is a shining example of how they are prepared to work in the power industry. Perhaps they have repented so that they are more flexible now--but the tactic itself is still used."

Why does the power industry act this way?

"They have had such power! They appoint their own consultants. They overrule the expert knowledge of others. They finagle!"

Is that why you are reacting so strongly in the Tingvalla bog case?

"Yes, it is such a flagrant example. They would have had their installation under construction now if they had followed the instructions from the authorities and left the object of national interest alone. Now they are prepared to pursue the question so that it will take more than a couple of years before it is decided. Still they say that they chose the place because they were in a hurry to get started. Unfortunately it happens every now and then that it is the state-owned companies which go out and test how far the tolerance of the state will extend. If a state-owned company sets a precedent, it is obviously open for the private companies also."

In the proposal for a new planning, building and natural resources law, a basic idea is to delegate as much decisionmaking authority to the municipalities as possible. Is that not a risk for the environment? For example, is not employment considered more important the farther down one comes in the decisionmaking process?

"Yes, no doubt about it. I understand that those who are closest to the problem want to solve unemployment first. And environmental protection is weak. Environmental ideas are shallow. They have by no means penetrated the politicians and the public in the same way as, for example, social policy. Environmental protection crops up in heated debates around disconnected issues. But there are entirely too few who realize that the protection of the environment is a dominant social interest, which according to the law must penetrate all other activity. People still believe that it is of limited interest, that environmental protection is an organ only for certain parts."

Does that also apply to the Riksdag leadership?

"When they pass laws and debate the environment in an aggressive way they appear to understand the situation. But when it comes to the private businesses it is very easy to say, 'We will give in to the environmentalists, but then we will look out for the interests of society.'"

Has the climate become more harsh for environmental protection today? Is it easier to speak on behalf of issues such as clean air and clean water?

"Yes, but that depends on how one looks at the subject. We have a shortage of money, and would obviously like to have more. But it is still possible through legislation and other means to achieve good results. Environmentalists are sometimes dazzled by the 20 million we have for the purchase of land. But it has not been with money that we have made the most progress during the years that the environmental board has been in existence.

"It is the changes in the legislation which have had the greatest significance for the protection of nature; the general protection of the beaches, changes in the rights of thinly populated areas, elimination of compensation for gravel pit, wetlands and virgin forest inventories."

But the inventories have been a step in the work leading to protection?

"Yes, but the inventories themselves contain a protection."

You sound like an optimist, despite saying that environmental protection is weak.

"Yes, provided that the power board does not succeed in Tingvalla bog. Because in that case we must protect valuable nature areas by purchase, and we will never be able to afford that. Then those who have the money will have a continuous advantage. Then it would be the power board which decides what will be protected in Sweden, and not the environmental protection authorities. Of course they are intelligent enough, but I do not believe that is the right body."

Do the decisionmakers understand how important the case is in principle?

"I truly hope so. The majority in Alvsborg obviously did not. But that can depend to some extent on how well the groundwork has been laid by the interested parties.

"The shortage of funds in the environmental board is perhaps most obvious in the protection of virgin forest. If the land is to be purchased, the forests manage to be cut several times before the money is sufficient. This is an area in which other solutions must be found. Other examples are state-supported forestry roads and replanting.

"It is a minimum requirement that state funds not be used to promote an exploitation which other authorities are required to oppose. That is the simplest and cheapest form of social protection. We have conveyed that to the government, and I assume that they believe it."

Valfrid Paulsson had to endure quite a lot for his statements about nuclear power in the 70's. The question is, however, whether he did not suffer even more over the issue of commercial herbicides, when he refused to accept the description of phenoxy acids as especially dangerous. Since the first of the year the municipalities have had the right to decide about chemical defoliation in the forest. Valfrid Paulsson considers that an exciting development.

"Now the municipalities must use their great authority in such a way that the legislature will have confidence in them."

It appears that many municipalities are prohibiting spraying because of the public concern?

"Yes, that is rather curious. We hoped that a municipal input would help to reduce the concern. But it will not be long before the general public asks itself, 'What are we doing? We are stopping the use of phenoxy acids miles away from towns, while they are used freely in gardens and beyond to the edge of the woods.' That is very illogical. The question is whether the legislators are confident that that is the way to manage an important question."

So Valfrid Paulsson has stuck his neck out once again!

9287
CSO: 3650/182

END

END OF

FICHE

DATE FILMED

18 MAY 1984